REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS.

Under clause 2 of Rule XIII,

Mr. GRIFFIN, from the Committee on Public Buildings and Grounds, to which was referred the bill (H. R. 13026) to authorize the Secretary of the Treasury to provide hospital and sanitarium facilities for discharged sick and disabled soldiers and sailors, reported the same with amendment, accompanied by a report (No. 879), which said bill and report were referred to the Committee of the Whole House on the state of the Union.

PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

Under clause 3 of Rule XXII, bills, resolutions, and memorials were introduced and severally referred as follows:

By Mr. SMALL: A bill (H. R. 13462) making appropriations for the construction, repair, and preservation of certain public works on rivers and harbors, and for other purposes; to the Committee of the Whole House on the state of the Union.

By Mr. CRAMTON: A bill (H. R. 13463) to amend section 3 of public act No. 106 of the Sixty-fifth Congress, entitled "An act to save daylight and to provide standard time for the United States," approved March 19, 1918; to the Committee on Interstate and Foreign Commerce.

By Mr. DENT (by request): A bill (H. R. 13464) to amend the medals of honor, distinguished-service crosses, and distinguished-service medals provisions of the Army appropriation act, approved July 9, 1918; to the Committee on Military Affairs.

Also, a bill (H. R. 13465) to create in the Army of the United States a corps to be known as the Corps of Chaplains; to the Committee on Military Affairs.

By Mr. BANKHEAD: A bill (H. R. 13466) making certain items of appropriation contained in section 8 of the vocational rehabilitation act, approved June 27, 1918, available for additional purposes and construing the term "family allowance," as contained in section 2 thereof; to the Committee on Appropriations.

By Mr. DENT (by request): A bill (H. R. 13467) fixing the rank, pay, and allowances of chaplains in the Army; to the Committee on Military Affairs.

By Mr. WHITE of Ohio: A bill (H. R. 13468) to provide an extension to the post office at Zanesville, Ohio; to the Committee on Public Buildings and Grounds.

By Mr. CRAMTON: A bill (H. R. 13469) to authorize the Secretary of the Interior to issue patent in fee simple to the county of Huron, in the State of Michigan, for a certain described tract of land for public park purposes; to the Committee on the Public Lands.

PRIVATE BILLS AND RESOLUTIONS.

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BURROUGHS: A bill (H. R. 13470) for the relief of John Chick; to the Committee on Military Affairs.

By Mr. CARAWAY: A bill (H. R. 13471) granting a pension to Thomas W. Breckenridge; to the Committee on Pensions.

By Mr. COX: A bill (H. R. 13472) granting a pension to Luther Sloan; to the Committee on Invalid Pensions.

Also, a bill (H. R. 13473) granting an increase of pension to Jacob Eberts; to the Committee on Invalid Pensions.

Also, a bill (H. R. 13474) granting a pension to Ella May Sloan; to the Committee on Invalid Pensions.

By Mr. DENTON: A bill (H. R. 13475) granting a pension to Greenup T. Berlin; to the Committee on Invalid Pensions.

By Mr. LINTHICUM: A bill (H. R. 13476) granting a pension to George Polleti; to the Committee on Pensions.

By Mr. MONTAGUE: A bill (H. R. 13477) granting an increase of pension to Young W. Cordell; to the Committee on Pensions.

By Mr. ROUSE: A bill (H. R. 13478) granting an increase of pension to William Boone; to the Committee on Invalid Pensions.

By Mr. WHITE of Ohio: A bill (H. R. 13479) granting a pension to Rhoda E. Pryor; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

By Mr. CURRIE of Michigan: Petition of R. A. Elias, William E. Strong, Nelson Dow Griswold, Herbert S. Beckwith, Ronald P. Lowry, and W. A. Robinson, jr.,. amateur wireless operators, protesting against House bill 13159, which provides for the taking over of all radio stations; to the Committee on the Merchant Marine and Fisheries.

By Mr. KENNEDY of Rhode Island: Resolution of board of aldermen of the city of Newport, R. I., protesting abandonment of work on housing proposition at Newport, R. I.; to the Committee on Public Buildings and Grounds.

By Mr. LINTHICUM: Resolution of the Baptist Ministers' Conference of Baltimore and vicinity, urging a league of nations; to the Committee on Foreign Affairs.

By Mr. RAKER: Brief of Dr. Wilson Compton, relative to the definition of "Invested capital" as applying to the pending revenue bill; to the Committee on Ways and Means.

Also, petition of California White and Sugar Pine Manufacturers' Association, relative to capital, surplus, and undivided profits in the revenue bill; to the Committee on Ways and Means.

By Mr. SMITH of Michigan: Petition of H. A. Stafford, president of the Brotherhood Railway Clerks, Lodge No. 338, Kalamazoo, Mich., favoring the retention of William G. McAdoo for Railroad Director; to the Committee on Interstate and Foreign Commerce.

By Mr. VARE: Petition of residents of Philadelphia, protesting against the enactment of legislation restricting the use of wireless apparatus; to the Committee on the Merchant Marine and Fisheries.

Also, memorial of Philadelphia Maritime Exchange, indorsing resolutions adopted by the Atlantic Deeper Waterways Association; to the Committee on Rivers and Harbors.

Also, resolutions of Pennsylvania Branch of Women's Peace Party of Philadelphia, discussing terms of peace; to the Committee on Foreign Affairs.

Also, petition of Logan Iron & Steel Co., Philadelphia, protesting against the enactment of legislation looking to the adoption of the metric system; to the Committee on Coinage, Weights, and Measures.

SENATE.

MONDAY, *December 23, 1918.*

(Legislative day of Sunday, December 15, 1918.)

The Senate met at 10 o'clock a. m., on the expiration of the recess.

The VICE PRESIDENT resumed the chair.

Mr. WARREN. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The Secretary will call the roll.

The Secretary called the roll, and the following Senators answered to their names:

Ashurst	Johnson, S. Dak.	Penrose	Spencer
Chamberlain	Jones, Wash.	Pollock	Sterling
Cummins	Kenyon	Saulsbury	Thomas
Dillingham	Knox	Shafroth	Vardaman
Gerry	Lenroot	Sheppard	Warren
Gronna	Martin, Va.	Simmons	Williams
Hale	Nugent	Smith, Ariz.	
Henderson	Overman	Smith, Ga.	
Johnson, Cal.	Page	Smoot	

Mr. SAULSBURY. I desire to announce that the senior Senator from Maryland [Mr. SMITH] is necessarily absent temporarily on very important business.

The VICE PRESIDENT. Thirty-three Senators have answered to the roll call. There is not a quorum present. The Secretary will call the roll of absentees.

The Secretary called the names of the absent Senators, and Mr. HITCHCOCK, Mr. MCCUMBER, Mr. MCNARY, Mr. NELSON, Mr. POINDEXTER, Mr. TRAMMELL, and Mr. WEEKS answered to their names when called.

Mr. KELLOGG, Mr. NEW, Mr. NORRIS, Mr. FRANCE, Mr. CURTIS, Mr. CULBERSON, Mr. KIRBY, Mr. UNDERWOOD, Mr. TOWNSEND, Mr. MCKELLAR, Mr. KING, Mr. WATSON, Mr. LA FOLLETTE, Mr. SUTHERLAND, Mr. HARDING, and Mr. POMERENE entered the Chamber and answered to their names.

Mr. MCKELLAR. I wish to announce that the senior Senator from Tennessee [Mr. SHIELDS] is absent on account of illness.

Mr. SUTHERLAND. My colleague, the senior Senator from West Virginia [Mr. GOFF], is detained by illness.

Mr. GERRY. I desire to announce that the Senator from Kentucky [Mr. BECKHAM], the Senator from California [Mr. PHELAN], the Senator from Nevada [Mr. PITTMAN], and the Senator from Wyoming [Mr. KENDRICK] are detained on official business.

Mr. CURTIS. I wish to announce that the Senator from Illinois [Mr. SHERMAN] is detained at home by illness.

The VICE PRESIDENT. Fifty-seven Senators have answered to the roll roll. There is a quorum present.

CABLE SERVICE.

The VICE PRESIDENT. The Chair lays before the Senate a communication from the Postmaster General in response to a resolution of the 10th instant, which will be inserted in the RECORD and lie on the table.

The communication is as follows:

OFFICE OF THE POSTMASTER GENERAL,
Washington, D. C., December 23, 1918.

The SECRETARY UNITED STATES SENATE,
Washington, D. C.

DEAR SIR: I have to acknowledge the receipt of Senate resolution No. 376, adopted December 10, 1918, as follows:

"*Resolved*, That the Postmaster General be, and he is hereby, requested to inform the Senate, if not inconsistent with the public service, whether information can be promptly asked for and received by cable, at the request of the immediate relatives of any officer or soldier in the overseas service of the country, where no word has been received from such officers and soldiers for more than six weeks, as to whether such officer or soldier was, on November 11, 1918, dead or alive."

In reply I have to advise the Senate that all cablegrams have been dispatched as addressed by the cable companies, and while there has been considerable congestion in the cable service, at no time has the delay, so far as the cables are concerned, extended beyond a few days.

The operation of the cables is now under Government control and has been placed under a single managing head in order to coordinate them and relieve such congestion with the hope that the coordination of cables will materially remove the delay. The Navy Department through the radio service is cooperating with this department and relieving the cables of large numbers of Government messages. Steps have also been taken to remove the bar against private code messages which, when accomplished, will still further relieve the load on the cables.

The condition recited in the joint resolution does not seem to be in any way related to such congestion as has heretofore existed with relation to the cable service. I am informed by the cable companies that many inquiries of the nature covered by the resolution have been sent to France but that only a small percentage of them have been answered. The cable companies have no definite information as to the reason for this, but report that in their opinion it is due to the fact that the parents and friends who send such messages are not advised as to whom the inquiries should be addressed or the whereabouts of the person addressed. It is also manifest that with the rapid movement of troops, the many casualties, and the different locations of hospitals in various sections of France and England to which the wounded were sent, it would be impossible in many cases to obtain the information which is so earnestly desired by friends and relatives of the soldiers. The War Department, however, would probably be able to furnish more specific information as to the difficulties encountered in delivering cablegrams of this character. Neither the cable companies nor the Postal Service is in a position to speak with respect to matters growing out of military operations.

Respectfully, yours,

A. S. BURLESON,
Postmaster General.

MESSAGE FROM THE HOUSE.

A message from the House of Representatives, by D. K. Hempstead, its enrolling clerk, announced that the House had passed a joint resolution (H. J. Res. 372) to amend Senate joint resolution No. 78, approved October 5, 1917, entitled "Joint resolution to suspend requirements of the annual assessment work on mining claims during the years 1917 and 1918," in which it requested the concurrence of the Senate.

ENROLLED BILLS SIGNED.

The message also announced that the Speaker of the House had signed the following enrolled bills, and they were thereupon signed by the Vice President:

H. R. 12916. An act to provide for the temporary promotion of commissioned officers of the Marine Corps serving with the Army; and

H. R. 12945. An act providing for the purchase of uniforms, accouterments, and equipment by officers of the Navy, Marine Corps, and Coast Guard, and midshipmen at the Naval Academy from the Government at cost.

PETITIONS AND MEMORIALS.

Mr. TOWNSEND presented a petition of Local Lodge No. 650, Brotherhood of Railway Carmen, of Durand, Mich., and a petition of Mackinaw Lodge, No. 996, Brotherhood of Railway Carmen, of Marshall, Mich., praying for the enactment of legislation extending the time of Government control of railroads, which were referred to the Committee on Interstate Commerce.

He also presented petitions of sundry school-teachers of Northville, of sundry citizens of Allegan, of the Woman's Club of Saginaw, of the teachers of the high school of Grand Rapids, of sundry teachers of Republic, of the school board of Republic, and of the principals of the high schools of Lansing, praying for the establishment of a department of education, which were referred to the Committee on Education and Labor.

Mr. LODGE presented a petition of sundry citizens of Boston, Mass., praying for the immediate withdrawal of American troops from Russia, which was referred to the Committee on Military Affairs.

He also presented resolutions adopted by the War Service Committee of the Fur Industry of the United States, favoring the elimination of the proposed tax on furs, which were ordered to lie on the table.

He also presented resolutions adopted by the Joseph Plunkett Branch, Friends of Irish Freedom, of Brighton, Mass., favoring the freedom of Ireland, which were referred to the Committee on Foreign Relations.

He also presented resolutions adopted by the congregation of the First Parish Church of Cambridge, Mass., and resolutions adopted at a mass meeting of sundry citizens of Cambridge, Mass., favoring the creation of a league of nations for the maintenance of peace, which were referred to the Committee on Foreign Relations.

He also presented resolutions adopted by the United Irish Societies of Lowell, Mass., and resolutions adopted by Local Division No. 18, Ancient Order of Hibernians, of North Brookfield, Mass., favoring the freedom of Ireland, which were referred to the Committee on Foreign Relations.

Mr. WARREN presented a petition of members of the Local Board of Albany County, Wyo., praying for Government recognition of the work of the local boards in raising the National Army, which was referred to the Committee on Military Affairs.

COST OF WAR WITH GERMANY AND AUSTRIA.

Mr. McKELLAR submitted the following resolution (S. Res. 395), which was read, considered by unanimous consent, and agreed to, as follows:

Resolved, That the Secretaries and heads of the several executive departments, as well as the heads of all separate bureaus, commissions, boards, or similar bodies authorized to expend the public funds for war purposes be, and they are hereby, directed to furnish the Senate at an early practicable date full information and figures relative to the cost of the war with Germany and Austria, as shown (1) by the expenditures already made by their several departments; (2) by the sums already obligated by their several departments to be hereafter paid; (3) any other costs of the war, such as the cost of transportation of our soldiers back home and their demobilization, or any other extraordinary expenses traceable to the war.

Resolved further, That the Secretary of the Treasury be, and he is hereby, directed to furnish, in addition to the cost of the war in his department, an epitome of the cost of the war in the various other departments to the extent which it is shown by his books, together with the totals, thus giving the complete cost of the war, as far as his books show it.

SENATOR FROM WEST VIRGINIA.

Mr. POMERENE. I am directed by the Committee on Privileges and Elections to report a resolution to reimburse the Senator from the State of West Virginia [Mr. SUTHERLAND] for expenses incurred by him in defense of his title to his seat in the Senate, and I submit a report (No. 628) thereon. I ask that the resolution be read and referred to the Committee to Audit and Control the Contingent Expenses of the Senate.

The resolution (S. Res. 394) was read and referred to the Committee to Audit and Control the Contingent Expenses of the Senate, as follows:

Resolved, That the Secretary of the Senate be, and he hereby is, authorized and directed to pay from the miscellaneous items of the contingent fund of the Senate to Hon. HOWARD SUTHERLAND, a Senator from the State of West Virginia, the sum of $2,435 in reimbursement of expenses necessarily incurred by him in defense of his title to his seat in the Senate, said sum to be considered as a full and final settlement of all expenses, including counsel fees, incurred by him in connection with the said contest.

Mr. POMERENE. I ask that this matter be disposed of at once. I think the Committee on Contingent Expenses is ready to report.

Mr. JONES of New Mexico subsequently, from the Committee to Audit and Control the Contingent Expenses of the Senate, to which was referred the foregoing resolution, reported it favorably without amendment, and it was considered by unanimous consent and agreed to.

PROMOTIONS IN OVERSEAS SERVICE.

Mr. McKELLAR. From the Committee on Military Affairs I report back favorably, without amendment, Senate resolution 359, requesting the Secretary of War to furnish the Senate full information in reference to promotions in overseas service, and also of officers who have not seen overseas service, and so forth, and I submit a report (No. 629) thereon.

I ask for the immediate consideration of the resolution. It is very short, and is of the same general nature as the resolution submitted by me a few minutes ago and which was adopted.

The PRESIDING OFFICER (Mr. KING in the chair). The resolution will be read.

The Secretary read the resolution, as follows:

Resolved, That the Secretary of War be, and he is hereby, requested and directed to furnish to the Senate full information in reference to promotions in overseas service.

Also, full information as to promotions already made of officers who have not seen overseas service.

Also, any plans he may have of equalizing promotions, to the end that those who have become entitled to promotions by reason of service abroad or at home shall be accorded such promotion.

The PRESIDING OFFICER. Is there objection to the present consideration of the resolution?

Mr. WILLIAMS. I am not prepared to allow that resolution to be agreed to just now without question. At some later time I may not object.

The PRESIDING OFFICER. Objection is made. The resolution will be placed on the calendar.

BILLS AND JOINT RESOLUTION INTRODUCED.

Bills and a joint resolution were introduced, read the first time, and, by unanimous consent, the second time, and referred, as follows:

By Mr. SHEPPARD:

A bill (S. 5220) donating captured cannon and cannon balls to the city of Santa Anna, Tex.;

A bill (S. 5221) donating captured cannon and cannon balls to the city of Galveston, Tex.; and

A bill (S. 5222) granting honorably discharged members of the armed forces of the United States during war with Germany one month's furlough on full pay, transportation and subsistence expenses to their homes, and permission to keep and wear uniforms; to the Committee on Military Affairs.

A bill (S. 5223) for the relief of the Alabama and Coushatta Indians in Polk County, Tex.; to the Committee on Indian Affairs.

By Mr. CHAMBERLAIN:

A bill (S. 5224) to prohibit intoxicating liquors and prostitution within the Canal Zone, and for other purposes; to the Committee on the Philippines.

By Mr. FERNALD:

A bill (S. 5225) granting a pension to Sarah F. Robinson; to the Committee on Pensions.

By Mr. SHAFROTH:

A bill (S. 5226) for the relief of Daniel W. Booth, alias Daniel Frantz; and

A bill (S. 5227) for the relief of Edward H. Lockwood; to the Committee on Military Affairs.

A bill (S. 5228) for an addition to Rocky Mountain National Park, and for other purposes; to the Committee on Public Lands.

A bill (S. 5229) granting a pension to Elizabeth Crossley;

A bill (S. 5230) granting an increase of pension to Mary H. Doherty;

A bill (S. 5231) granting a pension to Alice B. Elliott; and

A bill (S. 5232) granting an increase of pension to George C. Hazeltine; to the Committee on Pensions.

By Mr. KENYON:

A bill (S. 5233) granting a pension to Annie Tullis (with accompanying papers); to the Committee on Pensions.

By Mr. HENDERSON (by request):

A bill (S. 5234) to supplement an act of Congress approved October 5, 1918 (Public, 220), and to authorize the Secretary of the Interior, from the funds appropriated by said act, to determine, adjust, and pay losses sustained by investments preparatory to production of war minerals mentioned in said act; to the Committee on Mines and Mining.

By Mr. HALE (for Mr. FRELINGHUYSEN):

A joint resolution (S. J. Res. 201) relative to the payment of claims occasioned by or attributable to explosions at the plant of the T. A. Gillespie Loading Co. at Morgan, N. J., on or about October 4 and 5, 1918; to the Committee on Military Affairs.

AMENDMENT TO DISTRICT APPROPRIATION BILL.

Mr. POINDEXTER submitted an amendment proposing to appropriate $2,000 to aid the Columbia Polytechnic Institute for the Blind in the District of Columbia, intended to be proposed by him to the District of Columbia appropriation bill, which was referred to the Committee on Appropriations and ordered to be printed.

COMMITTEE ON PUBLIC INFORMATION.

Mr. MOSES. I submit a resolution and ask that it be read and lie upon the table.

The resolution (S. Res. 396) was read and ordered to lie on the table, as follows:

Resolved, That the Committee on Public Information be requested to supply the United States Senate with copies of all matter filed in Europe by the committee or any of its agents since December 3, 1918, for cable or telegraphic transmission to the United States or to any neutral or allied country.

EXECUTIVE DEPARTMENT EMPLOYEES.

Mr. HITCHCOCK. I offer the resolution which I send to the desk, and I ask unanimous consent for its immediate consideration.

The PRESIDING OFFICER. The Secretary will read the resolution.

The resolution (S. Res. 397) was read, as follows:

Resolved, That until the military, naval, and civil forces of the United States have been reduced to the normal requirements of the Government the respective heads of the executive departments, including also the United States Shipping Board, the Food Administration, and the Fuel Administration, be, and are hereby, directed to report to the Senate, beginning January 1, 1919, and every two weeks thereafter during the present session of Congress, the number of civil employees in their respective departments and the number discharged during the previous two weeks.

In addition to the above the Secretary of War and the Secretary of the Navy are directed to report each two weeks, beginning January 1, 1919, the number of officers and enlisted men in active service in their respective departments and the number discharged or retired during the previous two weeks.

Mr. WILLIAMS. Mr. President, I do not see the immediate necessity of that resolution.

The PRESIDING OFFICER. Objection is made.

Mr. HITCHCOCK. Mr. President, will the Senator from Mississippi permit me to explain? The resolution is simply for the purpose of securing information so that the Senate may know how fast the civil employees are being discharged.

Mr. WILLIAMS. But the Senator wants the information every two weeks, and that would embarrass the department with an unnecessary amount of work.

Mr. HITCHCOCK. There is no work involved. We simply ask for the numbers; it is mere clerical information that is sought. I consulted the chairman of the committee before offering the resolution.

Mr. WILLIAMS. Is that all it asks for—the number?

Mr. HITCHCOCK. That is all.

Mr. WILLIAMS. Then I shall not object.

The resolution was considered by unanimous consent and agreed to.

RELIEF OF PORTO RICAN SUFFERERS.

Mr. SAULSBURY. Mr. President, I move that House joint resolution 345, Calendar No. 553, to provide relief for sufferers from earthquakes occurring in Porto Rico during the month of October, 1918, be recommitted to the Committee on Pacific Islands and Porto Rico. I will state the reason is that the committee desire to have hearings from some residents of Porto Rico who are in Washington, and we hope to hear them while the Senate is practically in recess.

The PRESIDING OFFICER. The question is on the motion of the Senator from Delaware.

The motion was agreed to.

AERIAL MAIL SERVICE.

Mr. TOWNSEND. Mr. President, at the request of the Senator from Illinois [Mr. SHERMAN], who is detained at home by illness, I ask that a letter addressed to that Senator from the Second Assistant Postmaster General in regard to equipment for the aerial mail service be received and referred to the Committee on Military Affairs in connection with some matter which was submitted by the Senator from Illinois a few days ago.

The VICE PRESIDENT. Without objection, it is so ordered.

LEAGUE OF NATIONS FOR PEACE.

Mr. BORAH. Mr. President I ask permission to have printed in the RECORD a statement by the famous French writer, M. André Chéradame upon the subject of a league of nations.

The PRESIDING OFFICER (Mr. ASHURST in the chair). Is there objection to the request of the Senator from Idaho? There being none, the statement will be printed in the RECORD.

The statement is as follows:

PREMATURE DISCUSSION OF LEAGUE OF NATIONS IMPERILS PEACE—QUESTIONS OF IMMEDIATE PRACTICAL IMPORTANCE MUST BE SETTLED BEFORE THE PROBLEM OF CONFEDERATION IS TAKEN UP.

[By André Chéradame.]

I propose to demonstrate:

1. The success of the peace conference—hence real and definitive victory—depends in a very large measure on the order in which the different problems to be considered are taken up.

2. The discussion of the league of nations and of the "freedom of the seas" can have most unfortunate consequences if it does not come in its logical order; that is, if it is premature.

The establishment of a specific program of discussion for the conference is necessary for two principal reasons:

In the first place, it is evident that all questions can not be treated at the same time. Second, there are certain problems that can be resolved only after others apparently unconnected with them have been dealt with.

At an epoch when time is so precious, in order to end sufferings so long endured, it is obviously dangerous to engage in the discussion of unsolvable problems because it has not been foreseen that their solution depends on other and more urgent problems. As that perilous road seems to have been already entered upon, it is time for public opinion to realize the danger in order that its influence may prevent a catastrophe.

THEORIES AND THEIR APPLICATION.

To understand the subtle but very real peril before which we stand it is necessary first to grasp a very simple truth, which has, nevertheless, not been made sufficiently plain to the public: A theory, however good, is not necessarily practical.

There are theories whose justice can not be contested, but the mere attempt to put them in practice leads to a veritable catastrophe. For example, the theories that ruled The Hague conference, put forward by the Czar Nicholas II, were just, but, in fact, those theories contributed powerfully to making the war possible; that is, they killed millions of men.

This was so because The Hague conference led the British, the French, and other people to think the peace of Europe assured just at the time when Germany was preparing intensively for a war of aggression. Thus, The Hague conference without question put into circulation ideas not in conformity with the times, that were premature, hence unrealizable and by consequence infinitely dangerous.

In fact, completely reassurred regarding the intentions of Germany, the powers that now compose the entente neglected the armaments that would have made the Germans renounce their ideas of aggression on account of the risks a fully armed enemy would have entailed.

One sees clearly that by its psychological consequences The Hague conference contributed largely to provoke the war and make possible the aggression that surprised the nations now allies.

This example, drawn from The Hague conference, makes it plain that an idea may be theoretically good, but that its application would not be practical until there has been a further considerable advance in social evolution.

Absolutely the same result can be looked for from certain questions in the allied peace program, notably the league of nations and the "freedom of the seas."

The league of nations can not be organized until after the solution of certain other problems. Incontestably the league of nations is based on an idea theoretically of the highest justice, but it will end in an immense catastrophe if it is attempted to put it in practice in advance of the solution of other problems infinitely more urgent, and the solution of which, moreover, is indispensable to the creation of a state of things in which a league of nations can be developed.

What is the state of things which, according to all evidence, will be most favorable for the development of a league of nations? It is without question the situation that will result from the liquidation, as completely as possible, of the essential problems arising from the European war, notably the complete destruction of German militarism, realized not by treaties on paper but by accomplished facts (the destruction in Germany of the machinery specially designed for the manufacture of munitions of war; the imposing on Germany of the payment of annuities, moderate, but spread over a sufficiently long period to assure reparation and amounting to enough so that Germany will not be able to rearm; the creation of anti-Pan-German States in central Europe).

Once these things have been done, a state of things will have been created favorable to beginning the organization of the society of nations. On the contrary, it is clear that an effort to organize a society of nations has no chance of success if an attempt is made to regulate the affairs of Europe on paper, and if, in consequence, the league of nations rests on written conventions, like those of The Hague, and not on realities.

It is therefore plain that it is indispensable to follow a well thought-out program in the discussion of the diverse problems to come before the peace conference, and not to follow this program will lead to certain failure.

UTOPIANS, BOLSHEVISTS, AND THE LEAGUE OF NATIONS.

Unfortunately, in each of the allied nations there are some Utopians who do not understand the situation and say, "Organize the league of nations first and we will negotiate the peace afterwards."

This is a party of which some of the most notable members are the French and British Socialists, who both before and during the war showed their inability to comprehend realities. It is the same lack of understanding that characterizes all the bolshevists of the entente—Germanophile, in truth, and knowing full well that such a program would be of the utmost benefit to the Germans during the armistice period.

We will now examine the reasons why to begin by studying the league of nations and the "freedom of the seas" would be at the same time absurd and playing into the hands of the Boches.

The situation created by the war that must be liquidated with the utmost speed is the most difficult ever known. To begin by discussing the league of nations and the "freedom of the seas," which one can talk to infinity, would result only in voluntarily complicating practical affairs and would be manifestly absurd.

Further, to discuss the league of nations as something still to be created is to forget that which already exists—the entente. Is not it, such as it is, a league of nations, since it brings into one group three-fourths of the people of the world, a proportion never before reached in history?

Does not common sense tell us to wait to see the results of this league of nations that already exists before creating another without knowing how the one we have will function? No engineer would think of building a new type of engine of 1,000 horsepower without knowing how an engine of the same type but of 500 horsepower worked.

Is it not evident that if—for the sake of argument—the league of nations we already have should not be able, with its infinite resources, to solve the problems arising from the war (reparations, reorganization of Europe territorially), a fortiori a league of nations still greater would be utterly incapable of doing better. Those who can do the most can do the least, but those who can do the least can not do the most. This is elementary common sense; but, alas! the partisans of the league of nations seem to care little for common sense.

Finally, and this is much more important, to discuss these immense and ill-defined problems, such as the league of nations and the "freedom of the seas," before the urgent, concrete problems are solved would be to do exactly what the Germans want.

The Germans count on the following sequence of events:

The discussion of great questions such as the league of nations and the "freedom of the seas" will divide the allies.

The time taken for those discussions will be lost for the settlement of concrete problems that Germany fears especially, such as reparation.

The allied armies, ceasing to believe in positive results from the negotiations, will demand demobilization.

The question of reparation will be decided only in principle and on paper.

No police force capable of compelling the Germans to pay their indemnities will be created.

The German people will pay only a very small part of the damage they have caused and will keep the greater part of the loot of all kinds they have stolen everywhere during the war.

Under these conditions the financial situation of the European allies, and especially of France, would carry self-evident consequences. The cost of living in France and England reaching intolerable proportions, industries could not be reorganized, and Bolshevism would be easily spread among the populations by Boche agents.

Finally, since the war expenses of Germany have been considerably less than those of the allies, and since, according to our hypothesis, Germany would retain her loot, there would be so great a difference of economic power in favor of Germany that within a short time she would have attained her victory, not on the field of battle, but none the less in reality, as a consequence of the economic situation without precedent created in Europe by four years of war.

The danger I have described is not chimerical. Already the discussion of the "freedom of the seas," because it is premature, has caused divergencies among the allies. As soon as it was intimated recently that England would be willing to give up her command of the seas Mr. Winston Churchill, as spokesman for England, declared that she would never think of such a thing. It was a very natural reply, if one remembers that the suggestion was made to England on the morrow of an experience that has demonstrated that her life was saved by her navy and that the military spirit is far from being destroyed in Germany.

On the other hand, Americans, seeing the turn of events, are saying, "Let us get back to the Monroe doctrine and keep out of European affairs, unless we want to see Europe, as soon as her hands are free, mix in our affairs."

But the continuation of American intervention in European affairs on a cordial basis is absolutely necessary. American intervention, by its noble, generous, and ideal character and its comprehension of the future dangers, is a tremendous page in the history of humanity. Anything that could weaken the extent of American intervention or change its character would be a veritable disaster. Hence, it is only necessary to know what is already being published in certain journals of the entente to be convinced that the discussion of the league of nations and the "freedom of the seas," because the discussion of these questions is premature, can only tend to weaken instead of strengthen the ties that now exist between America and Europe.

PROGRAM DICTATED BY COMMON SENSE.

For many reasons, following the French proverb, don't put the cart before the oxen. Solve first the most urgent practical problems arising from the war, problems that must be solved in order to bring an end to the sufferings of millions of human beings, sufferings that have already lasted only too long. It is easy to see in what order these essential problems before the conference should be put.

The first is the reparation and restitution the German people must make, both of objects stolen and material damages caused. It is not justice only that demands the immediate solution of this problem. Its solution is the single condition of victory, as has been said. The peace will be durable and assured only if in consequence of her enormous thefts and war expenses Germany will not be able to preserve an economic superiority over the allies.

The second problem, and which can be taken up at the same time, is that of the territorial reconstruction of Europe by the adjustment of frontiers and by forming new States to raise a barrier against the pan-Germanists, such States as Poland, Bohemia, Roumania, the Magyar State, and the Jugo-Slav State.

The problem of the league of nations comes in the third place, but it will then be in a position for more favorable consideration. It is clear that if the first two problems, reparation and territorial reorganization, are satisfactorily cleared up by the entente, it will be relatively easy to solve the third, as the world, convinced by what the entente will have done, will want to transform the entente into a league of nations of greater extent by taking in all the nations worthy of a place.

Last comes the question of the "freedom of the seas." And by coming last it has the best chance for success. It is easy to understand that a real and durable solution of that problem can follow only from the extension of the league of nations. Such an extension implies a real disarmament in Europe, but this disarmament can come about only after Prussian militarism has been absolutely destroyed. Land disarmament having been accomplished, it will be relatively easy to disarm on the seas and from that will result the "freedom of the seas."

In short, when England can be assured of not being menaced by any continental power she will have no longer any interest in carrying the huge burden of naval supremacy.

This program for the consideration of the problems before the peace conference is only an application of common sense. But it is indispensable to assure victory that this order shall be followed. Therefore public opinion must demand that the league of nations and the "freedom of the seas" shall be discussed only in their logical place; that is, after all the urgent problems growing directly out of the war have found a practical solution.

INDEPENDENCE OF ARMENIA (S. DOC. NO. 316).

Mr. LODGE. Mr. President, I have here a memorandum in regard to Armenia and her claims to freedom and national independence, which I should like to have printed and referred to the Committee on Foreign Relations.

The VICE PRESIDENT. Without objection, that order will be made.

THE REVENUE.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 12863) to provide revenue, and for other purposes.

Mr. SIMMONS. There are Senators here who desire to take up next the section with regard to the luxury taxes.

Mr. KENYON. Page 199, section 905. Does the Senator desire to take that up at this time?

Mr. SIMMONS. I have just stated that at the request of Senators I will take it up now.

Mr. KENYON. I wish to make a few observations before a vote is taken. Does the Senator wish to address the Senate on the subject?

Mr. SIMMONS. I do not care to make any statement to the Senate further than I have already made. I will state to the Senator that I requested the Senator from Utah [Mr. SMOOT] to look after this section for me if I happened to be out of the Chamber.

Mr. KENYON. Mr. President, I wish to draw the attention of the Senate to section 905, page 199, of the printed bill. I realize how useless it is generally, especially amid the confusion in the Senate, to draw attention to these sections and try and have the action of the committee changed by a vote of the Senate. I think there have been at times as many as 12 or 13

Senators in the Chamber during the discussion of this bill—seldom any more—and when the time comes to vote on a section Senators rush in, the chairman of the committee announces in the midst of the roll call that a vote "yea" is to sustain the committee and a vote "nay" is against the committee, and Senators almost fall over themselves supporting the committee. I think if the people of the country could look down from the galleries on some of these proceedings they would wonder what is the use of having any Senate here outside of the committee.

So it is with great diffidence that I disagree with the committee in their action in striking out section 905. It is what is commonly accepted as a section providing for a tax on luxuries. I find in no report of the committee any reason for this action, neither in the majority report nor in the minority report. We have had no word on the floor from the chairman of the committee or any member of the committee as to why this was done.

The theory of the section as placed here by the House is that, while wearing apparel and articles that may be covered by the section are not in themselves luxuries but necessities, when more than a certain price is paid they become luxuries. In other words, it is a tax upon ostentation. As the House provided, as to suits of clothing of $50 this tax would not apply, but where more than $50 was paid there would be a tax of 20 per cent on the surplus above the $50.

Upon shirts under $3 in value, no tax; above that, a tax. That ought to be a sufficient price to pay for a necessary garment of that character, but if some people wanted to array themselves in a glory equal to Solomon's and pay more than that, the tax should be levied. That is the theory upon which the House concluded to make this section a tax upon luxuries. Now, the action of the committee, it seems to me, is amazing. At a time when we are raking every source of revenue and business in this country to secure taxes we are striking out of this bill the tax known as the tax on luxuries.

What the House committee in their report say I want to put in the RECORD, because I realize that the Senate will not pay much attention to this matter, but I realize that the people of the country some day are going to begin to inquire about this bill and begin to study it and observe the soft cushions for the lighting of those who have secured great war profits, and they are going to inquire why it is that the Congress of the United States, especially the Democratic Party, strikes out of the bill the tax on luxuries. The House committee say in their report:

> In recommending excise taxes in the proposed bill your committee has endeavored to select articles that fall within two classes: (1) Articles that are more or less a luxury because of their nature and (2) articles that become in the nature of a luxury when sold for more than a fixed price.

That is the basis of this provision.

> The purpose of the committee in recommending these taxes is twofold: (1) To provide revenue and (2) to reduce extravagance.

Of all the reports that come to the Senate from the committee, the only one at all referring to this, as I read it, is the report of the Senator from Wisconsin [Mr. LA FOLLETTE]. He says:

> I am also of the opinion that the proposed taxes on occupation, amusements—particularly of the cheaper kind—taxes upon freight, express, and passenger rates, upon telegraph and telephone messages, and consumption taxes generally, should be eliminated from the bill and that a heavy tax should be imposed on luxuries.

Mr. President, not only is there the necessity of securing revenue, which this would do to the extent of $185,000,000, as estimated in the House report, but if the amendment which I shall propose to the text shall be adopted, providing for a tax on meals at hotels, restaurants, dining cars, above a certain amount in value, it will add enough to this to make a $200,000,000 tax on luxuries. Can anybody tell me, in these times when we are taxing everything under the sun except the air we breathe, why this tax on luxuries should not be levied? There is something more than raising revenue. Senators, there is a psychology about this situation. It is a blind man indeed in this country who buries his head in the sand and will not look out and see the conflicting tides flowing in the ocean of our national life to-day; and that psychology is this: You do not want to send word to the people of the country or have them believe that a tax bill is so shaped as to favor big business, and so shaped as to favor those who have secured the great war profits, and so shaped as to take the taxes off of the inconsequential and useless luxuries.

What can be said to you Democrats in doing that? What leadership are you following? For 100 years, since the second inaugural of Thomas Jefferson down to April 8, 1913, when Woodrow Wilson addressed the American Congress, your party has stood for a tax on luxuries.

I remember as a boy Roger Q. Mills coming out to Iowa to instruct our farmers as to the beauties of free trade. I traveled as a boy 125 miles to hear that speech. It did not impress me any about free trade, but I did remember what he said as to a tax on luxuries, and your leaders all the way down to the present moment have been for it.

What is the matter with you Democrats, anyway? One of your leaders is in Paris and another is retiring from public life in order to recoup his private fortune. You had better get some leaders back to try to get you back to your platforms through all these years, and not have you seduced by those who are against the proposition of taxes on luxuries.

I remember when we had the debate here on the Underwood-Simmons bill. The distinguished Senator from New Hampshire [Mr. HOLLIS]—I wish he were here now—one of the best men who ever sat in any legislative body on earth, one with a heart that has some responsive beats to the great heartbeat of humanity—in a speech he made here, enunciated that Democratic doctrine of a tax on luxuries; and that strong Democrat from Indiana—Senator Shively, who has gone to his reward—enunciated the same doctrine here; and that great Democrat from Kentucky—great of heart, great of brain, and great of body, who has likewise passed to his reward, dear old Ollie James, and I wish he were here now—on that night, with crowded galleries, made this Chamber ring with the old Democratic doctrine of taking the taxes off of the sugar bowl of the poor and putting them on those who could best stand it.

You have gone out on the stump from one end of this country to the other preaching that doctrine—and I am talking in a heartfelt way to you Democrats, because I like you—but you have just been thrashed completely, and when you do this you will be "wiped off the map." I do not want to see you come to such an untimely death so suddenly. You have gone to every part of this country and talked to the people about the tax on luxuries. I do not believe that there is a man on the other side of this Chamber who has not made that kind of a speech. I have heard some of you do it in days gone by.

What is the matter? What has gotten into you? Is there such a fetish for committee action that you do not dare vote against the committee? Have you any independence when a great question like this is involved—one that is fundamental?

Mr. HITCHCOCK. Mr. President——

The VICE PRESIDENT. Does the Senator from Iowa yield to the Senator from Nebraska?

Mr. KENYON. I yield.

Mr. HITCHCOCK. Can the Senator from Iowa give us any assurance of what support there will be on his side of the Chamber?

Mr. KENYON. There will be a very strong support; I will give the Senator from Nebraska that assurance.

Mr. HITCHCOCK. I am very glad to hear it. I have had some doubts.

Mr. KENYON. I think, while it has been one of the cardinal doctrines of the Democratic Party to tax luxuries, it has likewise been a cardinal doctrine of progressive republicanism as well. Not only that, Mr. President, but you could glean a good deal of wisdom from once in a while consulting the writings and messages of Grover Cleveland, that honest old Democrat, who was always willing to have the truth told.

Mr. THOMAS. Mr. President, I respectfully protest against the classification of the late Grover Cleveland as a Democrat.

Mr. KENYON. That may be the reason, Mr. President, why luxury taxes have been stricken out of this bill. Grover Cleveland stood for taxes on luxuries.

Mr. THOMAS. No, Mr. President; but because Cleveland, in his administration, was a great deal more of a Republican than he was a Democrat.

Mr. KENYON. I am afraid that if the old former President in the world beyond can hear that he certainly will be shocked. Anyway, notwithstanding this admonition, I will venture the suggestion that in his third annual message Grover Cleveland said:

> The taxation of luxuries presents no feature of hardship.

You Democrats have sent out to the country every year, bound in nice binding, these Democratic campaign textbooks [exhibiting], wonderful works of the veriest fiction, tales that rival those of Baron Munchausen, clothed in a modesty that is quite wonderful, that all the relations of the universe and everything that is good have come from the action of the Democratic Party.

I notice in one of these publications that credit is taken entirely for the Smith-Lever bill for the Democratic Party, when everybody knows that the old patriot from Vermont, Senator PAGE, had more to do with the passage of that bill than any other living man, a fact which has been so generously conceded many times by the Senator from Georgia [Mr. SMITH].

But I wish you would take up and read your own promulgations to the American people. Of course, there are some parts of these promulgations that you would not want to read. The arraignment of ex-President Taft, I imagine, in one of these books for junketing around the country at public expense when he ought to have been in Washington is something perhaps you would not want to read; but the general doctrine therein enunciated is that taxes should be imposed on luxuries. I am not going to fill the RECORD with them. You held out the Underwood-Simmons bill as something for the people to support, because it levied such duties on luxuries.

Why the change? There seems to be so much mystery about this bill. We had the newspaper announcement of the terrific fight that the Republicans were going to make against the bill, and then overnight it all seems to have been changed. I hope that some reason can be given us for this change.

I wish we could go further in the tax on luxuries. I never see an automobile coming down the street with distinguishably gowned ladies sitting in the rear seat, and a Pekinese pup sitting by their sides, or some stalwart man, as you can see every night, out exercising some of these chow-chow dogs, that I do not wish that we could put a tax on some of these things, and either blot out this nauseating ostentation or else raise some revenue.

I shall introduce an amendment to the text of the committee amendment, should it be voted down, providing, in addition to the taxes therein contained, that there shall be included in the prohibition against exemption the amount of every meal at any hotel, café, dining car, or eating house in excess of $2 per person.

If Senators would only understand this bill as it has come to us from the House, it provides that on carpets and rugs of over $5 per square yard there shall be a 20 per cent tax. Rugs may be necessities, but of course the usual necessities would be comprehended under the term of $5 per yard. If people want to surround themselves with oriental rugs and luxuries costing more than that, let them pay for it; that is reasonable.

The Senator from Washington, in his speech on the Simmons-Underwood bill, uttered something that I thought a good deal about under this problem of taxation, and it applies to that exact situation. He said at that time that we should tax superfluities. So with this bill.

As to the second item, picture frames in excess of $10 each; is that not enough to spend on an ordinary picture frame? If you want a picture frame that is gilded or bronzed to cost more than $10, it is in the nature of a superfluity; but if that should appeal to you, then pay for it. Those who can have these great luxuries are willing to pay for them. Taxes upon such articles can be collected without irritation and without injuring anybody.

Valises, in excess of $25 each. If anyone wants to pay more than $25 for a valise or a traveling bag, why not let him pay a tax on it?

Hand bags, in excess of $7.50 each. What harm will come to anyone who wants to buy a hand bag for $35 or $40 by being compelled to pay a tax upon the amount in excess of the $7.50? So it runs—umbrellas, suits of clothes, women's suits of clothes, and so forth.

But I leave this, Mr. President, without further remark, merely calling it to the attention of the Senate in the hope that there will be some discussion and some consideration——

Mr. CURTIS, Mr. ASHURST, Mr. JOHNSON of South Dakota, and Mr. JOHNSON of California addressed the Chair.

The VICE PRESIDENT. Does the Senator from Iowa yield; and if so, to whom?

Mr. CURTIS. I desire to address the Senate if the Senator from Iowa has concluded, and I thought he had concluded.

Mr. KENYON. I will conclude in a moment.

I repeat, Mr. President, I merely call this question to the attention of the Senate in the hope that on this item, at least, we may have a vote which will reflect the individual judgment of Senators without any question of their being in any way afraid to oppose the Finance Committee.

Mr. ASHURST. Mr. President, I should like to ask the Senator a question, but if the Senator has concluded, of course I will not do so.

Mr. KENYON. I have concluded, but I will be very glad to answer any question that I can.

Mr. ASHURST. Mr. President, I simply wish to ask the Senator if he does not believe this was a clerical error?

Mr. KENYON. I hope that may be true, but, as there has been no minority report, I assume that no error was made.

Mr. ASHURST. I am inclined to believe that it is only a clerical error, because the Democrats are bound, so far as faith and conscience can bind men, to tax the very articles of luxury which the committee, through some inadvertence, has stricken out, and I have no doubt that when the roll is called the vote on this side will be unanimous to correct this egregious blunder.

That provision—paragraph 905—of the House bill which the committee proposes to strike out imposes a tax—a small tax—on what we call the luxuries of life; in other words, it provides for a tax on those things which are beyond the reach of the man who is denominated in his life as a poor man. It lays a very small tax on luxuries, and I repeat that I feel bound to vote against the committee in this matter, because since I have been making political speeches it has been my particular text that we should tax luxuries.

I have gone about this country like a peripatetic volcano in constant eruption, urging a tax on luxuries. I think the Senator from Iowa [Mr. KENYON] has performed a very useful service to the country in calling attention to it.

Now, just one other word. The distinguished Senator from Colorado [Mr. THOMAS] objected to Grover Cleveland being called a Democrat. Grover Cleveland has passed from this earthly scene to, I believe, a better world. Whatever he was, whether he was a Democrat, a stand-pat Republican, a Progressive, or what not, he had two qualities that commended themselves to me: He had the chilled-steel nerve to do just exactly what he thought was right in spite of ten thousand furies that barked at his heels; and Grover Cleveland was honest. In his lifetime I did not agree with him on many questions; but Grover Cleveland never failed to sustain the honor and integrity of this country. It was the statesmanship of Grover Cleveland that built the Navy that showed our prowess during the Spanish War, and in the perilous times through which we have passed, I am very certain had Grover Cleveland been alive his voice would have rung out in support of President Wilson on the great questions that have confronted our people. We have Cleveland Democrats, Bryan Democrats, high protective tariff Democrats, and all other kinds of Democrats. We do not want any hyphenated Democrats; we simply want Democrats. A Democrat is a man who votes for a tax on luxuries; a stand-pat Republican is a man who votes against a tax on luxuries.

Mr. JOHNSON of South Dakota. Mr. President, I wish to ask the Senator from Iowa the amount of revenue, if he knows, which will be derived from this section?

Mr. KENYON. I did not understand the Senator.

Mr. JOHNSON of South Dakota. I inquire the amount of revenue that will be derived under this section?

Mr. KENYON. Approximately $185,000,000, according to the House figures, and I think conceded by the committee.

Mr. JOHNSON of South Dakota. I expect to vote against the committee on this matter, and I wanted to know the amount of revenue that would be derived.

Mr. JOHNSON of California. Mr. President, I wish to occupy just a very few moments this morning in the interest of historical preservation, and so I want to recall what has transpired in the past very, very briefly in one aspect concerning the revenue bill, and then I want to call to the attention of my colleagues what this particular revenue bill provides for.

A little over a year ago this Chamber was the scene of the greatest contest I have witnessed since I have been a Member of it, a contest rendered memorable by the fact that we were dealing then with a revenue bill such as the country had never before seen, and dealing then with modes of taxation concerning which there was a wide divergence of opinion. I recall during the consideration of that revenue bill in August, 1917, that a very small minority of this body—9 upon this side and 8 upon the other side, 17 in all—stood their ground as well as they were able in presenting to the Senate and to the people of the country the mode of taxation which that small minority believed to be just. I recall also during the consideration of the war-revenue bill then that that small minority—17 Senators—stood here upon this floor and demanded that war profits should be taxed 80 per cent, demanded it day in and day out, until overwhelmed by the vast number of their fellows and defeated in the amendments they then presented. I recall, Mr. President, during that time how the verbal shot and shell and shrapnel beat us to the ground, and how the poison gas on the part of the press that responds to the big business of this country spread broadcast the infamy of the 17 men who dared to stand upon this floor and ask that war profits be taxed 80 per cent. I recall a part of the great metropolitan dailies of the land telling of the anarchists and of the pro-Germans who were here in the Senate of the United States asking that we take with the strong arm of the law war profits, the money coined out of our blood, in the same fashion that we had clutched the bodies of the boys whom we love. I remember during that period how from the eastern border of our land to the uttermost corner upon the western shore there was abuse and denunciation and vilification and constantly applied epithets of all sorts to the

men who dared ask 80 per cent of war profits. I recall how during those days the 17 who favored this sort of thing talked of England, and how England was taking 80 per cent of war profits, and how, in the year just previous, England had taken 60 per cent, and in the time immediately prior 50 per cent, and how it was related that for three years the great war profits of this country had gone untouched into the coffers of those who had coined war into dollars. I remember that as we talked about that 80 per cent it was asserted again and again to us that you could not take 80 per cent of war profits; that it was confiscatory; that it would not enable business to continue in its ordinary and normal flux and flow; that productivity would cease; and that you would destroy utterly the great industries of the Nation.

All of these things happened a year and a couple of months ago in this Chamber. The 17 went down to defeat with their proposition asking 80 per cent. They went down to defeat; and possibly that part of the great press of the country that responds always to profit, no matter how that profit may be coined, sent us down not only to defeat but possibly to infamy for all time.

I wish to recall the passing events since transpiring. In May of this year the President of the United States, in an address, said to Congress:

> Only fair, equitably distributed taxation, of the widest incidence and drawing chiefly from the sources which would be likely to demoralize credit by their very abundance, can prevent inflation and keep our industrial system free of speculation and waste. We shall naturally turn, therefore, I suppose, to war profits and incomes and luxuries for the additional taxes.

The President, in May of this year, recognized after the debate of last year and after the months that were spent in the endeavor to demonstrate the appropriate mode of taxation that we would turn to war profits and incomes and luxuries for additional taxes. Then he added in another part of his address:

> An intense and pitiless light beats upon every man and every action in this tragic plot of war that is now upon the stage. If lobbyists hurry to Washington to attempt to turn what you do in the matter of taxation to their protection or advantage, the light will beat also upon them. There is abundant fuel for the light in the records of the Treasury with regard to profits of every sort. The profiteering that can not be got at by the restraints of conscience and love of country can be got at by taxation. There is such profiteering now and the information with regard to it is available and indisputable.

And I may say that there was profiteering at the time we passed the revenue bill in 1917, and the evidence was indisputable and was put into the RECORD during the debates upon that bill.

But subsequently to the address of the President there was a discovery made by the Secretary of the Treasury, a discovery that sheds a great, white, effulgent light upon this subject; a discovery that finally brought home to all of us the taxation in which England was indulging, and the possibilities that might come to us in taxation which we should levy. The Secretary of the Treasury on June 5, 1918, in a letter to the Ways and Means Committee of the House, says:

> The existing excess-profits tax does not always reach war profits. The rates of excess-profits taxation are graduated, and the maximum is 60 per cent. In Great Britain there is a flat rate of 80 per cent on all war profits.

If the Secretary of the Treasury had not made this startling discovery in June, 1918, a waiting and an expectant Congress would have been in ignorance until now of the rate of taxation that was levied by Britain and the possibilities which might have come from a tax of 80 per cent on war profits. Last year when we were crying from the housetops for three months what Britain charged upon her war profits, when we were demanding that the very largest percentage of war profits should be taken from those who made these profits from our war, when we proved indisputably profiteering and that billions made from profiteering were escaping, where was the knowledge of the Secretary of the Treasury and where was the recommendation then in relation to 80 per cent?

You may answer me, and the answer, I presume, may be made upon this floor to-day, that we did not levy a tax of 80 per cent upon war profits last year in order that we might have a reservoir for this year of war profits. The very statement of the proposition is its own refutation. You could have taken 80 per cent of war profits last year and you could have relieved normal business, real, legitimate business, ordinary business, of a couple of billion dollars that ordinary normal business will have to pay in the days to come. Every dollar that was left of war profits in the last revenue bill, every penny that was coined out of the war that was permitted to go into the coffers of those who coined those war profits will have to be paid in the future, Mr. President, by normal business, peace business, in peace times, and by normal industry and normal productivity.

I resume reading what is said by the Secretary of the Treasury in his letter to the Ways and Means Committee:

> In Great Britain there is a flat rate of 80 per cent on all war profits.

How naively the Secretary of the Treasury says in June, 1918, that in Great Britain there is a tax of 80 per cent! How feeble were our voices in August, 1917, when for three months we were shouting that fact not only on the floor of the Senate but wherever and whenever we could obtain an audience to listen!

The Secretary of the Treasury proceeds, in his letter to the Ways and Means Committee:

> The Government departments, under great pressure as they are to get necessary war materials and supplies with the utmost expedition, can not in the nature of things fix their prices nor guard their contracts in such a way as to avoid the possibility of profiteering. The one sure way is to tax away the excessive profits when they have been realized. I do not say this in a spirit of criticism of the corporations or business men of the country, who have for the most part loyally supported the Government. In entering into war contracts they take grave risks. They are called upon to make vast expenditures of capital for purposes which may prove unproductive after the war. They are not to be blamed in these circumstances for asking for prices and terms which cover these risks. On the other hand, when the risk has been liquidated by proper allowances and the contract had proved profitable, the Government should take back in taxes all profits above a reasonable reward. Under existing law that does not happen, because the tax rates are not high enough and can not safely be made high enough, since the test now is not how much of the profits are due to the war but what relation the profits bear to the capital invested. A company with a swollen capital and huge war profits escapes.

So much for the justification of the position which we took a year ago—tardy justification and vindication—by the President and the Secretary of the Treasury, and now, Mr. President, what do we observe in the present revenue bill?

I have read the report of the Senator from Wisconsin [Mr. LA FOLLETTE], in which he takes issue with the percentage of war-profits tax that is stated by the Finance Committee to be in the revenue bill, but I accept for the moment, but only for the moment, the view of the chairman of the Finance Committee and the others of the Finance Committee who have spoken upon the subject, that the bill provides for a tax of 80 per cent upon war profits. Now, assuming that it does what the chairman of the Finance Committee and the members of the Finance Committee say, we have then presented to us a revenue bill which, adopting the language of the members of the Finance Committee flung at us a year ago in this Chamber, is anarchical, is designed to destroy business, is pro-German, is, indeed, a bill which is aimed at preventing the successful prosecution of the war, and is a bill which no man with an atom of financial sense, as they said to us a year ago, could for a moment advocate. What a marvelous change now! What a miracle, that the Finance Committee boasts it now taxes war profits 80 per cent!

I accept the conversion of the Finance Committee. I welcome the members of the Finance Committee finally, after two billions of war profits have escaped taxation, to an 80 per cent rate upon war profits this year, and I am delighted to-day, finally, in the latter part of 1918, after two billions of war profits have escaped taxation in 1917, to welcome the Finance Committee of the Senate to membership with the 17 who stood upon this floor a year ago and asked that 80 per cent of war profits then be taken while we had the opportunity.

Mr. LENROOT. Mr. President, will the Senator yield?

Mr. JOHNSON of California. I yield.

Mr. LENROOT. The Senator does not mean that the bill as reported by the Finance Committee takes 80 per cent of the war profits?

Mr. JOHNSON of California. I accept, as I said, their statement in that regard; and accepting their statement as they have made it upon the floor here, while not admitting the fact, I welcome them to membership in the very small minority that a year ago advocated a tax of 80 per cent upon war profits.

Mr. LENROOT. Will the Senator yield further?

Mr. JOHNSON of California. Yes.

Mr. LENROOT. The Senator is aware that the bill upon its face first exempts 10 per cent of the capital?

Mr. JOHNSON of California. Yes.

Mr. CHAMBERLAIN. Mr. President, there is a little bill that passed the House some days ago that affects the Army uniforms. I wish to ask unanimous consent that it may be taken up and considered now.

Mr. SIMMONS. Will the Senator wait until we dispose of this item? Then I shall not interpose any objection.

Mr. CHAMBERLAIN. I do not think the bill will require any further than the reading.

Mr. SIMMONS. If the Senator will wait until we finish this item, then he can take it up.

Mr. CURTIS. Mr. President, I hope the Republicans will support the amendment offered by the Senator from Iowa.

Mr. KENYON. Mr. President, may I make a suggestion to the Senator? I have not offered the amendment I had in mind. The question now is on adopting the committee amendment, which is to strike out that section.

Mr. CURTIS. Then I hope the committee amendment will be defeated.

I was glad to have the Senator refer to the Simmons-Underwood bill, because if that is an evidence of Democratic taxation on luxuries the people should know it. Last year we imported into this country $3,000,000,000 of merchandise. We collected on that merchandise a revenue of $180,000,000 only. Of that $3,000,000,000, $500,000,000 were luxuries. Why, there should have been collected upon the luxuries alone more than $200,000,000 in revenue. This provision, if retained in the bill, will carry only $185,000,000. We ought to have more than that from imported luxuries, to say nothing of a tax upon luxuries produced in this country. There should be a proper tax upon luxuries, a tax that would not be a burden upon anyone, for a tax should be fixed in accordance with ability to bear it. A proper tax on imports, a large tax on imported luxuries, and a reasonable tax on domestic luxuries would produce at least $1,000,000,000 a year, while the provision of the committee on luxuries will raise only $185,000,000.

A year ago, when the revenue measure was up, I took the position in this body that the expenses of the war, as far as possible, should be paid by those who are making large profits out of war contracts, those who have large incomes, and those who use luxuries. Nothing was done in that measure to tax luxuries to any great extent; and now, when the bill comes here from the House with a provision placing a very small tax on luxuries, it is stricken out by the committee!

I do hope that those on this side of the Chamber will vote against the committee amendment.

Mr. SIMMONS. Mr. President, I wish first to refer only very briefly to the statements made by the Senator from California [Mr. JOHNSON]. The Senator rather felicitates himself and some of his colleagues who joined with him when the revenue bill of 1917 was under consideration in advocating an 80 per cent war-profits tax, and he congratulates himself that the Finance Committee and the Ways and Means Committee have, as he claims, come to his way of thinking upon that subject.

Mr. President, the Senator forgets that the present law, the one to which he refers, contains a war excess-profits tax rising as high as 60 per cent, and that a 60 per cent excess-profits tax is higher than this 80 per cent war-profits tax. That 60 per cent rate applies to income in excess of a deduction of only 8 per cent of the invested capital. This 80 per cent rate applies only to income in excess of a deduction of the entire net earnings of the corporation during the prewar period. So the maximum rate, if you take into consideration the deduction, is greater in the present law than in the proposed law, although, of course, the average rate is reduced by the lower brackets contained in the existing war excess-profits tax.

But it was not to that that I desired to call attention. The Senator from California knows, and every Senator here knows, that in 1917 we were levying a tax to raise about $4,000,000,000. To-day, even after the reductions that we have been able to make as a result of the armistice, we are levying a tax to raise $6,000,000,000. As a result of the fact that we are levying for the purpose of raising a larger amount of money than in the act of 1917, all the taxes in this bill, the excess-profits tax as well as many other miscellaneous taxes, are raised to a level considerably higher than that reached in the present law.

Mr. President, it would have been a crime against the people of this country if when we needed only $6,000,000,000 we should have levied as high taxes upon the people as when we need $8,000,000,000. If we have come to these higher taxes it is only because we have been forced to come to them by the necessities of the Government and by the increased expenditures of the Government.

Then I call the Senator's attention to a further fact. He says we permitted war profits to escape. While we imposed in the last bill a war excess-profits tax of 60 per cent at the maximum, there was also in existence a flat tax of 12½ per cent upon the profits arising from the manufacture of munitions of war. The term "munitions of war" includes practically everything that is manufactured for the purpose of equipping men to fight, outside of the clothes they wear and the food they eat. Under the last bill we imposed a maximum tax upon war profits of 60 per cent above a deduction which is small as compared with the present deduction, and in addition we had a munitions tax originally imposed at the rate of 12½ per cent and subsequently reduced to 10 per cent.

But, Mr. President, I do not wish to pursue that any further. I rose for the purpose of addressing myself to the very remarkable argument of the Senator from Iowa [Mr. KENYON] and to the statement that has been made by different Senators upon the floor with regard to this proposition.

Mr. President, I must believe that the remarks of the Senator from Iowa and of other Senators with respect to that matter are based upon an entire misconception of what has been done. I do not think there is anyone in this body who believes more heartily than I do in a properly adjusted luxury tax. I believe the members of the Finance Committee will bear me out when I say that when this bill was under consideration, when the Senator from Utah made a proposition to strike out all the luxury taxes in the bill, all these special taxes, all these excise taxes, and substitute for them a gross-sales tax, I said then that I never would consent to the elimination of what I regarded as luxury taxes for the purpose of substituting consumption taxes. That is the way I feel about it. I am as heartily in favor of luxury taxes as the Senator from Arizona [Mr. ASHURST] or any other Senator upon this floor. I believe it is a just principle of taxation that the things which are unnecessary should be heavily taxed as compared with the things which are necessary. I think that is the principle which the committee followed in this matter. I do not remember with absolute certainty as to the vote in the committee upon this subject, but my impression is that there was no division in the committee upon the proposition to strike out these taxes; but if I am not correct, the Senator from Michigan [Mr. TOWNSEND], who is an honored member of the committee, will correct me.

Mr. TOWNSEND. I will remind the Senator that there was.

Mr. SIMMONS. I am told the Senator voted against it.

Mr. TOWNSEND. I voted against it.

Mr. SIMMONS. Did any other Senator in the committee vote against it?

Mr. TOWNSEND. I admit there was very little discussion upon the proposition. Many of us believed that these had better be retained and many of the taxes that were also retained eliminated so that we could get at more just taxes.

Mr. SIMMONS. I think it was practically a unanimous vote.

Mr. President, when I say I believe in taxing luxuries, I refer to those things which in their nature and their essence are luxuries, which are not necessary, which can be dispensed with, and which if bought are bought only by those who can afford more than the comforts of life.

Let me call the attention of the Senate to what has been actually done by the committee. There are two classes of these taxes that have been designated by the press loosely, I think, as luxury taxes and semiluxury taxes. In my opinion they do not deserve to be so characterized, but there are in the bill distinctive luxury taxes, and these have been kept in the bill. There have been reductions, and those reductions were in keeping with the amount of money which by reason of the practical termination of the war we were able to remit to the people.

Let me ask Senators to take the bill and turn to page 193. That section begins with a tax upon automobiles. I am not going to discuss the question whether an automobile is a luxury or not. There are some people who think it is; there are some people who think it is not. In any event Congress has heretofore decided the question that automobiles are legitimate subjects of taxation under the circumstances which exist.

But passing that by, Mr. President, the next provision with regard to these taxes that we come to is the tax upon pianos and organs, piano players, graphophones, talking machines, music boxes, records, and so on. Those taxes were retained. Tennis rackets, nets, racket covers, toboggans, polo mallets, baseball bats, and a whole category of sporting articles are enumerated. The tax upon these is retained.

Then we come to chewing gum, supposed to be a luxury. The tax upon that is retained. On cameras the tax is retained. On candy the tax is retained but reduced. Upon firearms, shells, cartridges, and so on, the tax is retained. On hunting and bowie knives, dirks, daggers, stilettos, brass knuckles, and so on, the tax is retained. On portable electric fans the tax is retained. On thermos bottles the tax is retained. On cigar and cigarette holders the tax is retained. On automatic slot-device weighing or vending machines the tax is retained. On liveries and livery boots and hats the tax is retained. On hunting and shooting garments and riding habits the tax is retained. On articles made out of any fur, or articles of which fur is the component material of chief value, there is a tax of 10 per cent. On yachts and motor boats the tax is retained. On toilet soaps and toilet soap powders a 3 per cent tax is retained. Then there is a tax upon moving-picture films, which is retained. Upon paintings, sculptures, statuary, porcelain, and so on, the tax is retained.

Finally, Mr. President, without enumerating them all, we get to the tax imposed upon jewelry, pearls, precious and semiprecious stones, articles made of or ornamented, mounted, or

fitted with precious metals or imitations thereof, opera glasses, marine glasses, field glasses, binoculars, and so on, the tax is retained.

That is what I have regarded as the luxury title of the bill. Those taxes are upon things that are unnecessary, as a rule. In the public mind they are regarded as luxuries, and they were properly and legitimately the subject of taxation under the circumstances.

But, Mr. President, when we come to these other taxes which the Senator from Iowa thinks are distinctively luxury taxes, I contend that they are in no true sense luxury taxes. They are taxes upon necessaries of life when those necessaries are sold beyond a certain price. That is all there is in that schedule.

Mr. KENYON. May I ask the Senator just one question to illustrate my position? Does the Senator think that a woman's hat costing over $15 is a necessity?

Mr. SIMMONS. I think a woman's hat is a necessity.

Mr. KENYON. So do I; but one costing over $15? The Senator is a married man and he must know that it is a good deal of a luxury.

Mr. SIMMONS. I do not know whether it is a luxury or not, but the Senator will permit me to develop my idea.

Mr. President, here are things that are taxed. I will not read them all. First, is a tax on carpets and rugs in excess of $5 per square yard; then follows a tax on picture frames in excess of $10 each; then we come to trunks in excess of $50, valises above $25, fans above $1, smoking coats or jackets above $7.50, men's and boys' suits or overcoats, not including uniforms, on the amount in excess of $50; women's and misses' suits, cloaks, and coats in excess of $50; women's and misses' dresses in excess of $40; women's and misses' hats, bonnets, and hoods in an amount in excess of $15; men's and boys' hats in an amount in excess of $5; men's and boys' caps in an amount in excess of $2. The rate in each case is 20 per cent.

Mr. President, I want to say that not only the rich but during these times of high prices—and these taxes are imposed in times of high prices—not only the rich buy hats costing in excess of $5 but the laboring men of this country, and the men of moderate means have very generally purchased hats costing in excess of $5, because——

Mr. McCUMBER. Mr. President——

Mr. SIMMONS. Because we must recognize the fact that a hat which can be bought in normal times at $3.50 can not now, as a rule, be bought for less than $5. So we are practically imposing a tax upon hats which in normal times would sell for not more than $3.50.

Mr. McCUMBER. I wished to ask the Senator if he thought it was possible to buy a woman's coat made out of wool for $40 to-day?

Mr. SIMMONS. I do not.

Mr. McCUMBER. I will tell the Senator that one was shown me only a couple of days ago, a very light woolen coat, that cost $74, and if it is a good woolen coat you can not touch it for less than $90, and even more than that. While to-day we are voting to take our war-working girls home because they have not money enough to return, you are wanting to put a tax upon a coat that they must buy in order to get home. On nearly every one of these articles the price is put over the demarkation between what might be called luxuries and what might be called a necessity, and they are below the lowest possible price at which you can buy them to-day, I do not care what the class may be.

Mr. KENYON. Will the Senator allow me?

Mr. SIMMONS. Let me go on and finish the list here.

Mr. KENYON. I wish simply to call attention to an advertisement here in the city of girls' cloaks——

Mr. McCUMBER. And when you come to look at the advertisement you will have a piece of shoddy that will not last until you get home with it if you put it on.

Mr. KENYON. How many of the girls earning $1,200 a year are buying $70 and $60 cloaks?

Mr. McCUMBER. It is because they can not get it for anything less if it is fit to wear. If they would buy it for $20 or $25 or $35, I say it would not last them for a week. Anyone who knows anything about clothing will justify me in that statement.

Mr. SIMMONS. Let me go on. I want the Senate to understand what these things are.

The next are men's, women's, misses', and boys' boots, shoes, pumps, and slippers in excess of $10, 20 per cent.

Mr. President, there are many war workers—these young girls who have come here to assist the Government in the great emergency from which we have very happily emerged—who came here from motives of patriotism, yet they would have been unable to come except for a salary. Thousands of these very girls have to buy shoes, and I will venture to say that while their everyday working shoes might not have cost $10, each one of them has a pair of shoes which cost over $10, for you can not buy a woman's good shoe for less than $10, and you can not buy a man's good shoe for less than $10 in these times. It is true you may buy shoes made of leather substitutes or you may buy shopworn shoes for less than that sum, but the shoe that you now buy for less than $10 is subject to the defects that I have described or it is made out of inferior material.

Mr. KENYON. Mr. President, there is no tax on shoes which do not cost $10 a pair.

Mr. SIMMONS. There is a tax on all shoes costing in excess of $10.

Mr. KENYON. Yes.

Mr. SIMMONS. The committee further reported to strike out:

(18) Men's and boys' neckties and neckwear, on the amount in excess of $2 each;
(19) Men's and boys' silk stockings or hose, on the amount in excess of $1 per pair;
(20) Women's and misses' silk stockings or hose, on the amount in excess of $2 per pair;
(21) Men's shirts, on the amount in excess of $3 each;
(22) Men's, women's, misses', and boys' pajamas, nightgowns, and underwear, on the amount in excess of $5 each; and
(23) Kimonos, petticoats, and waists, on the amount in excess of $15 each.

Mr. President, take these 23 classes as a group, and, except the first 9, they cover the clothing which the people of this country wear. It is now proposed, if a workingman is making good wages during these war times and is able to pay these higher prices, that he shall be taxed if his clothing shall cost him in excess of a modest sum. That is one reason why we did not feel that these were proper taxes to impose upon the people. We did not regard those as the luxury taxes which the political parties of this country are committed to impose. The taxation of luxuries is no more a principle of the Democratic Party than it is of the Republican Party; both parties of this country have committed themselves to the principle of taxing luxuries, but both parties, as represented upon the committee, agreed that these were not the kind of luxury taxes to which the principle in question has reference.

However, Mr. President, there is another objection to this which can readily be appreciated by Senators who will consider and reflect about the matter. All the stores of any considerable size in this country, if these taxes are imposed, will have to keep a separate account of each article, showing the amount for which it is sold in excess of a certain price.

As a result the business of the country would be put to great expense in keeping such accounts by reason of the time that would be lost by the salesmen and the number of bookkeepers that would be required in order to properly keep the necessary accounts, for the Government will not take the mere statement of a person that he has collected a certain gross amount under the luxury taxes imposed in this bill, but the Government has a right to require, and necessarily will require, that each merchant engaged in business selling any of these articles shall keep a set of books separate and apart from his other books showing each one of these sales and the correct amount of the tax received.

Mr. President, it was represented to your committee, and it is a fact, I think, that the actual expense to the business people of this country of keeping the necessary accounts and books will in many instances be even greater than the tax itself. Of course, this might not be so, as a rule; but, even as a rule, it can be seen by every Senator who will think about it that this is a tax which is imposed, not upon the merchant, but which is imposed upon the people though the merchant himself must bear an additional expense, for he has, of course, necessarily to pay the expense of keeping the books required by the Government. In many instances, I say, it will be found that this expense will average as much as the tax to be derived from this source by the Government.

Mr. President, I do not wish to elaborate this matter. So far as I am concerned, whatever the Senate decides to do I shall accept. I think it is an obnoxious tax; I think it is a burdensome tax; and I think it is not a luxury tax in any true sense of that word.

Mr. SMOOT obtained the floor.

Mr. GRONNA. If the Senator from Utah will permit me, I desire to ask a question of the chairman of the committee, merely for information.

Mr. SMOOT. I will yield for that purpose.

Mr. GRONNA. On page 193, in subdivision (1), under the title of "Excise taxes," section 900, I find this language:

(1) Automobiles, motorcycles, automobile trucks, automobile wagons, automobile trailers or tractors.

It is the latter part of the sentence as to which I should like to have either the chairman of the committee or the Senator

from Utah explain. Is it understood that all purchasers of farm tractors must pay a tax of 5 per cent?

Mr. SMOOT. Yes; if it is an automobile trailer or a tractor.

Mr. GRONNA. What I had special reference to was farm tractors.

Mr. SMOOT. I will answer the Senator from North Dakota that the tax is imposed upon the manufacturer or the importer, but, of course, in reality it will reach the farmer who purchases the tractor.

Mr. GRONNA. Yes; I wished to plainly understand it. We know that the smaller kind of tractors now cost about $1,500 or $1,600; that means that on every such tractor there will be at least an $80 tax. Many of these tractors cost $3,000. They are largely tractors that will pull about 6 plow bottoms; but a great many farmers buy the large tractors which will pull 10 plow bottoms, and which cost about $6,000. So that class of tractors will pay from $150 up to $300 tax on a common tractor. Is that the way that the committee understands it?

Mr. SMOOT. That is the way the committee understands it.

Mr. JOHNSON of South Dakota. Mr. President——

Mr. SMOOT. Mr. President, I desire to proceed. I merely want to explain to the Senate my position on section 905 and to also give some of the reasons for the action of the committee in striking out that section.

In the first place, I wish to say that I am opposed to all nagging and irritating taxes, and at some time in the future they are going to be wiped out of our revenue legislation, in my opinion, as all of the taxes imposed under the title in which section 905 is found ought to be eliminated from the bill, with few exceptions.

I wish to say to the Senator from Iowa [Mr. KENYON] that the House inserted section 905 primarily for the purpose of discouraging consumption. If the Senator will read the House hearings and the recommendations of the department, he will see that the action of the House was based upon the idea that the labor of this country should not be employed in the manufacture of luxuries which the people could do without. Based upon the recommendations of the department, the House of Representatives put the tax in the bill primarily for the purpose of limiting, as far as possible, the production of so-called luxuries. I do not think, however, it acted wisely in the selection of items called luxuries as found in section 905.

I wish to emphasize the fact that, after the bill came to the Finance Committee of the Senate, it was stated to the committee by the officials of the department that the administration of the proposed tax was going to be not only expensive, but in many cases next to impossible. For instance, take the item of silk hose, to which reference was made a little while ago. A man goes to a store and buys a pair of silk hose for a dollar and a quarter. There is an exemption from tax of a dollar, leaving 25 cents to be taxed upon that sale. Twenty per cent of 25 cents would be the tax on that sale and it would amount to 5 cents. An account of this 5 cents must be made upon the books of the company making the sale and report of it made to the Commissioner of Internal Revenue. It would cost the merchant many times 5 cents and the item would encumber the records of the department so long as the records are kept. Better would it be for the merchant, rather than to undertake to do this, to forego making the sale.

In referring, Mr. President, to the imposition of taxes upon so-called luxuries, an inference has been made that the committee had refused to impose luxury taxes but had proposed to secure the same amount of revenue from some other source, and inference was made that the business of the country was escaping just taxation under this bill. I am perfectly willing, Mr. President, to criticize this bill where it needs criticism, as all Senators are aware, and I know there are discriminations in the bill which can not be defended. Section 905, under consideration, does not impose taxes in a just way.

If Senators will note, they will find that out of the taxes to be raised under this bill, amounting to $5,974,466,000, as estimated, there will be raised $5,467,000,000 from the income tax, the war excess-profits tax, the inheritance tax, beverage taxes, cigar and tobacco taxes, and the floor tax on cigars, tobacco, and liquors. In other words, from the income tax there will be realized $2,207,000,000—and we must remember that there is an exemption upon the income of every citizen of the United States before any income taxes are imposed—from the war excess-profits tax, $2,400,000,000; from the inheritance tax, $100,000,000; from beverages, $450,000; from cigars and tobacco, $240,000,000; and from the floor tax on cigars, tobacco, and liquors, $70,000,000, or, as I have said, a total of $5,467,000,000. From those sources alone there is to be collected of the amount of taxes imposed under this bill 91½ per cent, or, in other words, all of the taxes imposed by this bill outside of the six sources which I have named only amount to 8½ per cent of the aggregate.

I voted to strike out this provision because I wanted to strike out every item under Title IX with the exception of about half a dozen. They would be expensive and difficult of administration on the part of the Government. They are nagging, irritating taxes, falling upon all of the people, and they ought to be eliminated. That is the reason I voted to strike out this section, and if I had the chance I would vote to have the others go out, as I said in my speech upon this bill.

Mr. WEEKS and Mr. GRONNA addressed the Chair.

The PRESIDING OFFICER (Mr. SHEPPARD in the chair). Does the Senator from Utah yield; and if so, to whom?

Mr. WEEKS. I merely wish to ask a question.

Mr. SMOOT. The Senator from Massachusetts rose first. I will yield to him, and then I will yield to the Senator from North Dakota.

Mr. WEEKS. I wish to ask the Senator from Utah if any estimate has been made of the cost of collecting the taxes provided for under this section?

Mr. SMOOT. None was given to the committee, but I will say that it was stated that hundreds, if not thousands, of employees of the Government would have to go from one end of the country to the other to check up the tax returns under this section, and nobody could tell what the cost of collecting it would be.

This is my position: If we want to impose a luxury tax, let us say what luxuries are, and impose a tax upon every cent of the sale price of such luxuries, and not over and above a certain price.

Mr. KENYON. Mr. President——

Mr. SMOOT. Under the House provision, if a suit of clothes sells for less than $50 it will pay no tax, but if it sells for $60 there will be a tax on the $10 over and above $50; and, if the Senator from Iowa will allow me just a moment, I wish to say to the Senator that a tax of that kind would simply mean this: If a suit of clothes made of wool sells for $60 to-day, and there were imposed a tax upon the $10 excess over $50, the first thing the merchant would do would be to buy a suit of clothes which, through the addition of shoddy, if in no other way, could be sold for $50, and thus escape the tax entirely.

Mr. McCUMBER. Will the Senator yield to me right there?

The PRESIDING OFFICER. To whom does the Senator from Utah yield?

Mr. McCUMBER. The suggestion I wish to make is in reference to the very point just brought out by the Senator from Utah. Would not that so reduce the quality of those goods that the actual wearing capacity of the article manufactured would not be half of what it would be if it were all wool, and would we not thereby compel the person who bought the cheaper suit in reality to buy two suits to equal the wearing value of the one all-wool suit?

Mr. SMOOT. Mr. President, the bad effects of the use of shoddy has never been demonstrated so thoroughly as during this war. You can take ladies' clothing manufactured to-day, costing more money than the same kind of article cost before the war, sometimes twice as much, and it is loaded with shoddy, and it does not wear half as long.

I called attention some time ago to the overcoating that was furnished our Government for our soldiers. I have seen soldiers' overcoats that could not possibly wear very long, 80 per cent of it being shoddy and only 20 per cent of it wool.

I now yield to the Senator from Iowa.

Mr. KENYON. Mr. President, I rose to ask a question of the Senator, not to make a speech. Would it be any more difficult, in the Senator's judgment, to collect these taxes than taxes on telephone messages and telegrams and transportation?

Mr. SMOOT. Yes, Mr. President.

Mr. KENYON. I do not see why.

Mr. SMOOT. I will tell the Senator why. On telephone messages all that is necessary is to keep track of the number of telephone messages sent. Under the pending section say there are a dozen sales made in the same day at a price over the limit provided in the section, a record must be kept and return made on each sale showing amount of sale and tax collected. If it is a $60 suit of clothes sold, a deduction is made of $50; then a tax of 20 per cent is imposed on the balance, and a separate record must be made of the sale and report made. The only proper way to impose a tax is to impose it upon all of the sales, not a part of them. That is why it is hard of administration; and it is going to be very costly to administer.

If the Senate will take the position that every item enumerated in the section is an article of luxury and wants to impose a tax of 20 per cent upon them, then there would be some sense

to a tax of that kind. Such a tax would be easy of administration. The House imposed this tax, as I said, not because these articles were luxuries per se, but because the House wanted to restrict the consumption of the articles enumerated, if possible. We all know that it takes the labor of the country to make these goods, and labor was wanted upon the farms, in the factories and machine shops. It was wanted in making munitions for the country and for our allies; and the provision was put in the bill more for the purpose of discouraging the production of such articles than it was for the imposition of the tax.

Mr. McKELLAR. Mr. President, will the Senator yield?

Mr. SMOOT. I yield to the Senator from Tennessee.

Mr. McKELLAR. Would not the same difficulties of collection apply to hunting and shooting garments and riding habits, which, on page 196, are taxed at the rate of 10 per cent, that would apply to the articles here?

Mr. SMOOT. Oh, no. That is a straight 10 per cent tax upon the sale of the article.

Mr. McKELLAR. Well, this would be a 20 per cent tax upon sales above a certain price.

Mr. SMOOT. Yes; and that is just where the difficulty comes in, not only of keeping account of it by the merchant but of reporting it to the department, and showing just what the tax was on a certain percentage of the sale. In other words, the whole transaction must be reported and kept track of in detail, whereas the other sales can be made in bulk.

Mr. LENROOT. Mr. President, will the Senator yield?

Mr. SMOOT. I yield to the Senator from Wisconsin.

Mr. LENROOT. I call the Senator's attention to two or three paragraphs following that cited by the Senator from Tennessee, where pleasure boats and canoes, if sold for more than $15, are required to pay a tax.

Mr. SMOOT. Yes, Mr. President. I will say to the Senator the reason for that is that there are little boats that are used for personal use in going to and from their homes; and we did not want to tax the individual or the family that only used a boat for such a purpose as that, and had to use it every day.

Mr. LENROOT. But it does present the same difficulty?

Mr. SMOOT. It does, as far as that goes; but, as I understand, there are only a few of these boats in the United States, and we did not want to impose a tax upon them.

Mr. THOMAS obtained the floor.

Mr. JOHNSON of South Dakota. Mr. President, will the Senator yield?

Mr. THOMAS. I yield to the Senator.

Mr. JOHNSON of South Dakota. Touching the matter taken up by the Senator from North Dakota [Mr. GRONNA] with regard to the excise tax on automobile wagons, automobile trailers and tractors, I just want to say that a few days ago I introduced an amendment to strike that from the bill; and I shall take it up as soon as I can get the floor after the Senator from Colorado concludes.

Mr. THOMAS. The Senator will not be able to take it up until the committee amendments are all disposed of.

Mr. JOHNSON of South Dakota. It is a committee amendment.

Mr. THOMAS. An amendment to a committee amendment?

Mr. JOHNSON of South Dakota. Yes.

Mr. THOMAS. Mr. President, I voted in the committee for the excision of this line of taxes, first, because I thought they were too high in view of the sudden and happy close of hostilities, and for the additional reason that the application of the term "luxury" to the great bulk of these articles was a misnomer; I also believed, and I still believe, that if the House provision is retained in the bill it will serve to place a premium upon the manufacture and sale of shoddy and imitation goods.

For instance, take the subject of clothing. A suit of clothes costing in excess of $50 under the provision of the bill requires the payment of a tax of 20 per cent upon the excess over that sum. I wonder if there is a Senator in the Chamber wearing a suit of woolen clothes which cost less than $50 if purchased within the last 12 months? Such a thing may be possible, but I do not think it is at all probable.

I am wearing a suit of clothes which cost me nearly $100. It is the first new suit of clothes that I have indulged in since the war began, and for some time previous to that period. It was made to order, and perhaps for that reason it cost more than would have been the case if I had bought it ready made, but owing to the symmetry of my figure and the perfection of my form it is impossible for me to obtain any custom-made clothing that will pass muster in the eyes of my wife, and I am therefore compelled to resort to the other method. I do not consider that I indulged in a luxury when I secured this suit of clothes.

We must remember, Mr. President, that the price of raw material has advanced enormously since the war began. Wool has increased several hundred per cent since the war began, and unless I am mistaken the price of wool to-day in the market is in excess of 65 cents a pound. That is raw wool. When scoured it shrinks fully 70 per cent. Consequently the actual wool in the raw material that is fit for manufacture will cost three times 65 cents, or $1.95 a pound. With wool at that market price, to say nothing of the increased cost to manufacture the cloth and make the suit, who will contend that a $50 suit of clothes is a luxury?

In this excluded list is an item of 20 per cent upon all rugs and carpets costing in excess of $5 per square yard, except those which are imported. To-day the sum of $5 will not secure the wool that goes into a square yard of carpet, and a carpet is not a luxury in this latitude. This is one item.

Take that of shoes. The price of shoes has increased some 200 or 300 per cent—200 per cent, at least—and as a consequence the price of good shoes ranges all the way from $10 up, and particularly shoes which are made for women, which are much more expensive than those which are made for men. Is it possible that we are to impose a tax of 20 per cent upon the excess of the cost of shoes to the consumer over the sum of $10 per pair?

Silk, Mr. President, has ceased to be a luxury. There are luxurious silken goods, but silk has become as common and as necessary a fabric as cotton and wool in the ordinary consumption of the day. All silken garments and articles of wearing apparel—neckties, even—have increased in price enormously; yet we are levying a tax upon silken goods as luxuries, when they form a part and parcel of the necessities of everyday life.

Much opposition was made to the consumption tax proposed by the Senator from Utah [Mr. SMOOT] of 1 per cent upon retail sales, because it was a tax upon consumption; yet, under the pretense that we are placing a tax upon luxuries, we propose to penalize the consumers of the country to the extent of a 20 per cent tax upon articles which they must have, which are necessities, and which I think they will surely resent if, under the guise of luxuries, this enormous tax is placed upon them.

There may be here and there a number of items in this excluded list which are not absolute necessities. It may be that ladies' fans are luxuries. It will be pretty hard to convince a woman that they are, especially in the summer time; and I know of few women who would be satisfied with a dollar fan in these times, for fans also have increased in price. But if more than that amount is paid a direct tax of 20 per cent is immediately placed upon the excess. Now, as a matter of fact, the excess will be largely, I think, above the minimum price fixed for this line of goods. It may be, now that hostilities have ceased, that prices will show a tendency toward reduction. I have not yet observed it, and I do not believe that appreciable reductions will appear for some time to come, because of the enormous demand for the necessaries of life which will at once exhibit itself when normal conditions shall have returned and the interchange of commerce between the nations really begins. So, Mr. President, I cast my vote in the committee, as I shall cast it here, for the excision of these items.

Now, Mr. President, a word upon another subject.

I was much impressed with the brief but graphic address of the Senator from California [Mr. JOHNSON] a few moments ago with regard to the war-profits and excess-profits schedule or title of this bill. My position upon that subject is known, though perhaps not as well known as it would have been if I had been honored with a greater attendance in the Senate a few days ago when I discussed my proposed substitute for the entire title. I fully agree with the Senator in his attitude regarding a tax upon war profits. I think they should be made the basis of an immense amount of the revenue that we propose to raise by this bill. The difficulty with the bill, however, is that it not only confounds so-called excess profits, condemned by the Secretary of the Treasury and by the President, with war profits, but it extends both to profits which are not the result of profiteering, not the result of the war, thereby combining and confounding the just with the unjust, the good with the bad, by treating them all alike.

I believe, too, that the war-profits tax should be extended to partnerships and to individuals, for there be profiteers and profiteers; and the corporation is not the only sinner, neither is the capitalist. The man who sells raw material, the man laboring in that raw material, who takes advantage of war conditions and demands undue profit or compensation, is a profiteer. His unjust gain may be comparatively small, but it is a profiteering gain just the same. This bill does not reach these people. This bill, on the contrary, exempts and excludes

a very large class of individuals, and a comparatively large class of individuals associated together as partners, whose undue war profits we can reach only by a system of income-tax levies.

The Senator, of course, knows that Great Britain reaches this line of profiteers by a very heavy increase in its percentages of tax upon comparatively small incomes, but if we attempted to do that here we would at once awaken the same outcry against taxing the man of modest income, the poor man, that we have confronted under the provisions reported in the bill upon those subjects.

In the report of the House committee upon this bill, on page 8, is a table which illustrates what I am saying by a comparison of the income tax under the United Kingdom laws and under the laws of Canada and of France. It will be observed that where we get $30 on a given income of $2,500 Great Britain takes $210.94. If we go up to $5,000 the rate of levy under this bill is $180. The rate in the United Kingdom bill is $750. I will ask leave to print in my remarks page 8 of the House report upon the revenue bill of 1918, under which the enormous excess of percentages of income-tax rate upon small incomes in Great Britain as compared with ours is very graphically shown:

Income taxes upon specified incomes of married persons or heads of families with no dependents levied in the United States, United Kingdom, Canada, and France.

Income of married persons or heads of families.	United States tax under—				United Kingdom tax.				Canada.		France.	
	Existing law.		Proposed bill.		Amount.		Rate (per cent).		Amount.	Rate (per cent).	Amount.	Rate (per cent).
	Amount.	Rate (per cent).	Amount.	Rate (per cent).	Unearned.	Earned.	Unearned.	Earned.				
$2,500	$10	0.40	$30	1.20	$281.25	$210.94	11.25	8.44	$10.00	0.40	$31.25	1.25
$3,000	20	.67	60	2.00	445.31	356.25	14.84	11.87	20.00	.67	50.00	1.67
$3,500	30	.86	90	2.57	568.44	453.75	16.24	12.96	40.00	1.14	72.50	2.07
$4,000	46	1.00	120	3.00	725.56	581.25	18.16	14.53	60.00	1.50	97.50	2.44
$4,500	60	1.33	150	3.33	843.75	675.00	18.75	15.00	80.00	1.78	128.75	2.86
$5,000	80	1.60	180	3.60	937.50	750.00	18.75	15.00	100.00	2.00	160.00	3.20
$5,500	105	1.91	220	4.00	1,237.50	1,031.25	22.50	18.75	120.00	2.18	191.25	3.48
$6,000	130	2.16	260	4.33	1,350.00	1,125.00	22.50	18.75	140.00	2.33	222.50	3.71
$6,500	155	2.38	330	5.08	1,462.50	1,218.75	22.50	18.75	171.50	2.64	253.75	3.90
$7,000	180	2.57	400	5.71	1,575.00	1,312.50	22.50	18.75	203.00	2.90	285.00	4.07
$7,500	205	2.73	470	6.27	1,687.50	1,406.25	22.50	18.75	234.50	3.13	316.25	4.21
$8,000	235	2.93	545	6.81	2,100.00	1,800.00	26.25	22.50	266.00	3.33	347.50	4.34
$8,500	265	3.12	620	7.29	2,231.25	1,912.50	26.25	22.50	297.50	3.50	385.00	4.53
$9,000	295	3.28	695	7.72	2,362.50	2,025.00	26.25	22.50	329.00	3.66	422.50	4.69
$9,500	325	3.42	770	8.11	2,493.75	2,137.50	26.25	22.50	360.50	3.79	460.00	4.84
$10,000	355	3.55	845	8.45	2,625.00	2,250.00	26.25	22.50	392.00	3.92	497.50	4.98
$12,500	530	4.24	1,320	10.56	3,750.00	3,281.25	30.00	26.25	639.50	5.12	691.25	5.53
$15,000	730	4.87	1,795	11.97	4,812.50	4,812.50	32.08	32.08	887.00	5.91	910.00	6.07
$20,000	1,180	5.90	2,895	14.48	6,812.50	6,812.50	34.06	34.06	1,382.00	6.91	1,397.50	6.99
$25,000	1,780	7.12	4,245	16.98	8,937.50	8,937.50	35.75	35.75	2,042.00	8.17	1,960.00	7.84
$30,000	2,380	7.93	5,595	18.65	11,187.50	11,187.50	37.29	37.29	2,702.00	9.01	2,522.50	8.41
$35,000	2,980	8.51	7,195	20.56	13,562.50	13,562.50	38.75	38.75	3,472.00	9.92	3,147.50	8.99
$40,000	3,580	8.95	8,795	21.99	15,937.50	15,937.50	39.84	39.84	4,242.00	10.60	3,772.50	9.43
$45,000	4,380	9.73	10,645	23.66	18,437.50	18,437.50	40.97	40.97	5,012.00	11.14	4,397.50	9.77
$50,000	5,180	10.36	12,495	24.99	20,937.50	20,937.50	41.88	41.88	5,782.00	11.56	5,022.50	10.05
$55,000	5,980	10.87	14,095	26.72	23,562.50	23,562.50	42.84	42.84	6,827.00	12.41	5,647.50	10.27
$60,000	6,780	11.30	16,895	28.16	26,187.50	26,187.50	43.65	43.65	7,872.00	13.12	6,272.50	10.45
$70,000	8,880	12.69	21,895	31.26	31,437.50	31,437.50	44.91	44.91	9,962.00	14.23	7,772.50	10.75
$80,000	10,980	13.72	27,295	34.12	36,687.50	36,687.50	45.86	45.86	12,327.00	15.41	8,772.50	10.96
$100,000	16,180	16.18	39,095	39.10	47,187.50	47,187.50	47.19	47.19	17,607.00	17.61	11,272.50	11.27
$150,000	31,680	21.12	70,695	46.73	73,437.50	73,437.50	48.96	48.96	34,282.00	22.85	17,522.50	11.68
$200,000	49,180	24.59	101,095	50.55	99,687.50	99,687.50	49.84	49.84	50,957.00	25.48	23,772.50	11.80
$300,000	92,680	30.89	165,095	55.03	152,187.50	152,187.50	50.73	50.73	96,857.00	32.28	36,272.50	12.09
$500,000	192,680	38.54	297,095	59.42	257,187.50	257,187.50	51.44	51.44	195,407.00	39.08	61,272.50	12.25
$1,000,000	475,180	47.52	647,095	64.71	519,687.50	519,687.50	51.97	51.97	499,157.00	49.92	123,772.50	12.38
$5,000,000	3,140,180	62.80	3,527,095	70.54	2,619,687.50	2,619,687.50	52.39	52.39	3,415,157.00	68.30	623,772.50	12.48

It is a method and perhaps the only method for reaching the small profiteers, yet I do not believe there is a man within the sound of my voice who would vote for such a raise on incomes to-day, simply because it reaches too many people, it takes in too many profiteers; it gets the small profiteer as well as the large one.

I confess I should not advocate it myself for the very good reason that I do not believe in placing such a heavy hand upon the man with a legitimate income for the purpose of reaching the profiteering income of the man whose returns are practically at the same rate. I mention that——

Mr. SMITH of Michigan. Mr. President——

Mr. THOMAS. Just a moment. I mention that for the purpose of emphasizing the difficulty which the committee studying this very important and complex question would be confronted with, all along the line from the man with a $2,500 income to the man with an income of $100,000. I yield to the Senator from Michigan.

Mr. SMITH of Michigan. I was somewhat struck with the statement of the Senator that the application of the British rule was so widespread it would find no sanction here.

Mr. THOMAS. Only as to small incomes.

Mr. SMITH of Michigan. As to small incomes. But does not the Senator think that the virtue of an income tax lies or should lie in the universality of it?

Mr. THOMAS. Certainly.

Mr. SMITH of Michigan. That ought to apply to all incomes.

Mr. THOMAS. Certainly, to all income in excess of six or seven hundred dollars.

Mr. SMITH of Michigan. Any attempt to relieve classes of citizens is fraught with danger and ought to be avoided. I am sorry the Senator believes that a rule so universal would have no special favor here.

Mr. THOMAS. The Senator misunderstands me. I believe that there is a very strong sentiment against placing high taxes upon small incomes. I do not believe there is a Senator here in favor of placing a large tax upon small incomes. The British tax upon small incomes is much more than twice as heavy as the American tax upon small incomes. I agree with the Senator that the exemptions from income tax should be very low, the lower the better.

Mr. SMITH of Michigan. Under the British system I believe the exemption is $640, but if this system is to be permanently successful it must be fair and just and apply to all people alike in proportion to their income. In that way invidious distinctions are avoided. I think there is no person so poor as that he would not be happy to contribute his mite toward the expenses of the Government if he had an opportunity to do so.

Mr. THOMAS. I do not think the Senator and I disagree. But to illustrate my contention let me call attention again to this table. Under the proposed law the amount collected from a $5,000 income would be $750 in Great Britain. The same income would pay $180 here. Take $7,500. Here the tax is $470. In Great Britain it is $1,687, or nearly four times as much. It would be impossible for us, if we would reach the small profiteer, to impose such enormous percentages of tax upon small incomes. The difficulty is one which can not be overcome by that means, and the small profiteer will escape that contribution which even under a 40 or 50 or 60 per cent war-profits tax the big profiteer must respond to.

Mr. President, before I take my seat I wish to refer to a little incident of this morning, and for which my genial and

very dear friend the Senator from Arizona [Mr. ASHURST] has taken me to task. During the remarks of the Senator from Iowa in support of this amendment I challenged his statement that Grover Cleveland was a Democrat. Let me assure my friend from Arizona, and the Senate as well, that I intended and I made no reflection whatever upon the character of the former President. Such was not my purpose. Of his honesty, of his integrity of purpose, I make no possible question. Of his courage no man can make any question. Indeed, his courage was, in my judgment, a defect rather than a merit in his official career, warped as it was in a wrong direction. An honest and courageous man in high position who goes wrong is more dangerous than one of weaker fiber. My remark was based upon the fact that Mr. Cleveland was elected by an overwhelming majority of the American people both in the popular vote and in the Electoral College upon a platform unmistakable in its meaning and voicing the sentiments of his supporters. He set his face against one of its principal features regardless of consequences. He found his party strong, supreme, and effective. He left his party ruined, broken into a thousand fragments, and doomed to an exile of many, many years. For this he was responsible more than any other man.

There can be no question, Mr. President, that the utter lack of harmony between the administration and the mass of the Democratic Party during the last two years of his last administration, due to his stubborn disregard of his party associates, doomed it to the calamity of political defeat. And everyone knows that Mr. Cleveland opposed his party in the campaign of 1896. It was for these reasons that I made protest to his democracy. I have made it frequently. I made it everywhere in 1896 and again in 1904, and so did many other Democrats far more prominent in its councils than I ever have been.

Mr. MARTIN of Virginia. Mr. President, I shall occupy a very few moments. I desire to say to the Senate, and I trust I will not be misunderstood in saying it, that there is a very general desire that the Senate shall be at recess the balance of the week after to-day. It has transpired that that conviction has permeated the Senate to such an extent that it is now practically certain that there will not be a quorum of the Senate in the city after to-day. As it is very important that this bill shall pass the Senate and go to the House before the recess commences, I feel that I am taking no unreasonable liberty when I bring it to the attention of Senators that the bill will have to be passed to-day or we will be without a quorum and the bill be unpassed.

My object is to appeal to Senators on both sides of the Chamber to unite in the purpose to conclude the bill to-day and let it go to conference, in order that we may not break up here, as we certainly will have to do to-day, when there will be no quorum of the Senate in the city after to-day. I am assured that reservations have been made sufficient to demonstrate the fact that the bill must pass to-day or it will not pass this week and will not go to conference until after the 2d day of January.

I appeal to Senators to cooperate to that end. In doing that I know, of course, Senators will understand that I have no wish to interfere with any Senator who desires to express his views about the bill, but I want him to do it with a full knowledge of the situation, so that he may, as far as he is inclined to give his views, do so, but that he may limit his remarks, so that we may be enabled to reach a final disposition of the bill to-day, for if it goes to conference before the recess it must be passed to-day.

I am sure Senators will appreciate the need as fully as I do. I simply desired to bring to their attention the conditions which confront us and appeal to Senators on both sides of the Chamber to unite and cooperate in completing the bill to-day.

Mr. THOMAS. Mr. President, I think the warning given by the Senator from Virginia is very timely and necessary. I think he has stated the absolute fact, but I want to say that it is a humiliation to me as a Senator to be required to stay here and attend to public business in face of the fact that so many seem to prefer a good holiday season at this critical period of American affairs to staying here and attending to the public business.

Mr. ASHURST. Mr. President, I had intended to speak for seven or eight minutes on this particular subject, but I appreciate the force of the suggestion and statement of the Senator from Virginia, and hence I will consume but three or four minutes.

There has been much doubt as to whether or not this was a mistake on the part of the committee. That doubt has been dispelled, and I am bound to say in seriousness that the speeches made by the chairman of the committee [Mr. SIMMONS], by the Senator from Utah [Mr. SMOOT], and the Senator from Colorado [Mr. THOMAS] have cleared up a good deal of misunderstanding as to what was the intent and purpose in striking from the bill this tax, which a great many Senators believe to be a tax on luxuries. I have no doubt the misapprehension arose from a statement that was given to the press by the distinguished Senator from Pennsylvania [Mr. PENROSE], who announced that all taxes on luxuries would be removed as soon as the committee could reach a report. I will read from the Toledo News-Bee, a newspaper printed in Toledo, Ohio, under date of November 23, 1918. The headline is:

War taxes to be lower soon, says Senator BOIES PENROSE.

The headlines continue as follows:

In the meantime be an optimist on America. Share prosperity. This is the view of Senate's tory leader.

That is the headline. Here is the editor's note:

One of the most powerful men in the Republican Party is Senator BOIES PENROSE, of Pennsylvania. He is also a silent man. Both in Republican national conventions and in the Senate he does his most effective work in committee rooms. He seldom makes speeches in the Senate, confining himself to keen-edged questions which are hard to answer on the spur of the moment. He is also very seldom interviewed. His views, as here set forth on the Nation's future and its finances, may be taken as the views of the dominant faction in the Republican Party, which expects to control the next Congress.

Then there is an article by Mr. Milton Bronner, a very celebrated writer, who says:

WASHINGTON, *November 23.*

On the immediate future of this country be a bull. In other words, be an American optimist. The country is in for prosperity which will be shared alike by the capitalist and the wage earner.

This is the view of Senator BOIES PENROSE, from the industrial State of Pennsylvania. PENROSE, as everybody knows, is the leader of the conservative, or tory, or reactionary forces in the Senate. He is the big boss of the Republican organization in Pennsylvania.

MAY BE A SENATE LEADER.

If the old leadership of the G. O. P. succeeds, he will be the chairman of the Finance Committee in the next Congress, and, therefore, will have a very large part in shaping the fiscal policy of the Nation.

Then follows the interview, and I am bound to say it is largely a very sane, statesmanlike paper; but the Senator from Pennsylvania, like Cyrano de Bergerac in the play, in his last line hit. I will read that paragraph. The Senator concludes his interview as follows:

It may be some consolation to know that those huge burdens of taxes will only be paid once. The annoying taxes of a smaller variety, taxes on transportation, sales, luxuries, and similar articles and transactions will be among the earliest to go.

To a wayfaring man, a Senator who is not on the Committee on Finance when a great bill is brought in of nearly 300 pages, the ranking member of the Republican minority announcing in advance that all taxes on luxuries would be removed, such Senators must be pardoned, when they see an appearance of taxes on luxuries having been removed, for believing that those appearances are justified, especially in view of the interview of the Senator from Pennsylvania, which announced that luxury taxes are to go.

Mr. SIMMONS. I think the Senator misunderstands the last declaration the Senator from Pennsylvania made, that transportation, sales, and luxury taxes must go. When he said that he was referring to some future time when we get rid of the war taxes. The transportation taxes are still in the bill. He could not have referred to their going out, because there never was any suggestion that they should go out. They have not been raised, however. They are the same as the present law. They have not been increased.

Mr. ASHURST. That is all I care to say, Mr. President.

Mr. McCUMBER. Mr. President, I realize the great difficulty in bringing any number of Senators to a consideration of a review of their own conclusions, conclusions that are very often formed upon a mere surface glance at a provision without study, without considering any of the reasons, and immediately expressing themselves and finding themselves in a position where they must either plead guilty of inconsistency or else stay by their first conclusions. The Senator from Arizona has stated that for years he had been making speeches to his constituents in which he had proclaimed that it was the duty of Congress to lay good and strong and heavy taxes upon luxuries, and he sees something in the bill which he deems does not conform to that view, and immediately announces that he is against it and hopes that his party will be against it. The Senator from Kansas [Mr. CURTIS] immediately declares that he hopes that every Republican will vote against the amendment that was adopted by the committee, because as he views it is not conforming to his idea.

Now, let me put that question straight to the Senator from Arizona, and I think I will be able to get his own views, and I believe when I get them upon a true statement of the facts we will not very materially differ.

Mr. CURTIS. May I interrupt the Senator before he goes into that?

Mr. McCUMBER. Certainly.

Mr. CURTIS. What I said to-day did not relate to domestic luxuries. I asked for a very high duty on imported luxuries.

Mr. McCUMBER. Yes; and I will agree with that part, not only that we should have a duty but a high duty. The Senator from Arizona has said to one of his confiding constituents that it is his purpose as a Senator to see that in a tariff bill luxury shall be taxed, and the Senator hopes for the retention of the provision of the House to carry his own statement into effect. Now, let us see what the result will be.

If the Senator says to this constituent, "I know that you can not buy a good woman's coat, all wool, for less than $60 or $70, but you can buy cheaper goods—that is, an article 15 or 20 per cent shoddy for $40—and thereby I have taxed the luxury, but I have not taxed you," and if that constituent is a lady who knows anything about the worth and value of an article which she is buying she will say to the Senator, "Wool is not a luxury. I am entitled to a woolen coat; it is not a luxury and has never been considered as a luxury. It is true that I can buy a shoddy coat for $40, but my $70 suit will last me two years, while the shoddy suit I could wear only six months. If I am going to wear coats, I shall have to buy two of those shoddy suits or three to get the same value that I would get out of one of the $70 suits, which is all wool." Will not the good lady, the constituent of the Senator, immediately call his attention to the fact that instead of relieving her from paying this excessive tax he has compelled her to buy two suits where she ought to have bought but one? The Senator knows as well as I do any anyone else who has bought a shoddy article to wear that one good woolen suit of clothes for man or woman will outlast three suits that have even 10 or 15 per cent of shoddy in the mixture.

As a matter of fact, I do not care what your advertisements are in your papers, you can not go into the city of Washington to-day and buy a good woolen coat of wool, a winter coat, for $40 or even $50. I have some reasons for knowing.

I want to say that there are some articles in this list that probably could stand that tax, and it would apply only to those who are able to buy what you call luxuries, but remember that the suit of clothes which cost you $40 before the war, and which was not a luxury then, costs you $70 or $80 to-day. Now, you are getting the same thing. It is no more a luxury to-day because you have got to pay twice as much for it than it was a luxury before, and yet you are going to put a heavy tax on everyone who is already taxed to death in order to be able to buy that woolen suit.

Now, I come to shoes. The Senator from North Carolina [Mr. SIMMONS] says you can not get a good pair of shoes short of $10. I believe that is true. He is correct when he buys women's shoes, and probably he could get men's shoes that would be first class short of $10. You can buy a $6 shoe to-day, but is it economy on the part of those who can afford even to buy a $10 shoe to pay $10 for a pair of shoes that will last them 18 months rather than to pay $6 for a pair of shoes that will last them 6 months? Are you doing a kindness to that purchaser when you say to him or her we will compel you to buy a cheaper grade?

You can draw your own conclusion without a great deal of study, that if on a man's suit of clothes or a woman's suit of clothes that costs $50 you put a tax of 20 per cent on all the excess everyone knows that you are taxing a thing that 99 per cent of the people of the United States buy every day in the year, and you are putting a very unjust tax upon it; and you know further, if you know anything about manufacturers, that they will attempt the moment you pass this bill to manufacture one class of suits that can keep them just below the taxing amount, and to do that they have got to shoddy it enormously. They will manufacture the other of good wool, which every American citizen is entitled to have, and you will have a tax of $10, $20, $30, and $40 to pay. I ask the Senator if he considers that that is just to his constituents who want to buy woolen goods. I know that a pair of shoes that costs $10 is worth more than the difference between a pair of shoes that costs $6 or $5 in its wearing quality.

Mr. ASHURST. The Senator has asked me a question, and I think I ought to answer it.

Mr. McCUMBER. Certainly; I would just as soon have the Senator answer it now.

Mr. ASHURST. What the Senator has said about clothing and shoes is in the domain of true controversy, and I am bound to say it is quite true when he limits it possibly to clothing and shoes. I am not going to dispute his suggestion that when you go to get a good suit of clothes you have to pay $50. There is no doubt about that fact.

Mr. McCUMBER. You can not get a woolen suit of clothes to-day that is made up rightly and good to last for $50.

Mr. ASHURST. I will grant that, and in inveighing against this particular section, which I have said is also a tax on luxuries, I am going to ask the distinguished Senator from North Dakota this question: The House bill laid a tax on picture frames where each picture frame cost over $10. Does the Senator think a picture frame that costs $10 is a luxury or not?

Mr. McCUMBER. I say you would not want one for $10 that you would have in your house.

Mr. ASHURST. I say a picture frame that costs over $10 when you are constantly appealed to to be economical is a luxury. I know that boys of the age of 15 and 25 frequently want to have their neckties and socks match in color and I respectfully assert that a necktie that costs over $2 is a luxury.

Mr. McCUMBER. Very well. The person who buys a $2 necktie has parted with $2; he has paid somebody a profit, and somebody who made that profit is going to be taxed. That is all.

Mr. ASHURST. So I could go on down the bill. I repeat, I am bound in fairness to say that the Senator from North Dakota makes a very strong point with reference to shoes and with reference to clothing, but there are in the bill items other than those relating to shoes and clothing.

Mr. THOMAS. Mr. President——

Mr. McCUMBER. I yield to the Senator from Colorado.

Mr. THOMAS. I desire to suggest that the purpose of the other House, as I understand, in fixing the tax upon picture frames costing in excess of $10 was not to tax a luxury, but to prohibit a certain line of commerce during the war.

Mr. McCUMBER. That was the purpose of all of these provisions.

Mr. THOMAS. It was the purpose of all of them.

Mr. McCUMBER. The purpose was not to collect anything out of them; but the operation of the tax and the natural effect of it, as a whole, would be enormously to tax people who are now paying extravagant prices for everything which they purchase.

I further yield to the Senator from Arizona now, if he has not finished.

Mr. ASHURST. The House bill, among other things, laid a tax on boys' pajamas where they cost over $5. I think that in these times, when we are urging contributions for the Red Cross and when we are all trying to buy liberty loan bonds, the ordinary American boy would be satisfied with a pair of $4.50 pajamas. I think a pair of pajamas costing over $5 may, in fairness, be considered a luxury. Indeed, there are very few of the sons of toil, those who produce the wealth, who, in my judgment, wear pajamas at all.

Mr. McCUMBER. I will say that I do not, and I do not know anything about pajamas. [Laughter.]

Mr. ASHURST. Neither do I; and that is the reason I think they are a luxury.

Mr. McCUMBER. I do not know what they cost; I have an idea, however, that if they are woolen they may not be purchased for $5.

Mr. ASHURST. That may be true.

Mr. McCUMBER. And I rather think that your mountaineers or your men out on the plains in the cold season in Arizona are entitled to woolen pajamas.

Mr. SIMMONS. This is also a tax on men's and women's pajamas as well as on boys' pajamas.

Mr. ASHURST. I do not care to say anything further. I am going to be fair enough to admit that a vast deal which has been said by the Senator from North Dakota is true, but I maintain my original ground that a vast number of these articles from which the tax has been excluded, in the domain of honest intellectual expression and by the standard of ordinary Americans, are luxuries.

Mr. McCUMBER. Well, it may be that we could pick out a few of those that one does not very often buy, where you might call the price above the price that is fixed as being somewhat luxurious; but there are very few of them to-day which I think would come under the category of luxuries.

However, let me ask the Senator from Arizona another question, and it is based upon an entirely different view of this whole subject. We purpose in this bill to tax incomes, and we propose to tax incomes all they will stand. If we have not done it, then we have not gone far enough on some of the incomes; that is all. Is it not a far better way to do to tax the income and then let a man spend his money, paying such prices as he sees fit for the clothing he buys or for the carpet he buys to put down on his floor? We may tax the dog woman of whom the Senator from Iowa [Mr. KENYON] was speaking, by taxing her income so greatly that she can not afford to keep the fluffy dog and the fluffy man to lead him around. Would that not be a far better way to meet that situation than it would be by placing a tax on collars, for instance, to put on dogs?

Mr. ASHURST. Mr. President, when the Senator from North Dakota begins to talk in favor of the income tax, his feet are on

rib rock; his position is impregnable; and with merely one amendment the income tax would be almost a perfect tax; that is, if we required the returns to be made a public record we should have, in my opinion, almost an ideal tax.

Mr. McCUMBER. That may be a subject as to which there might be considerable disagreement; but I am trying to speak to this provision and to see whether or not we really ought to impose a tax.

I desire to carry my thought a little further along that line; and that is as to the right of individuals when they have earned their money and when they have paid their proportion of tax out of that money to do as they have a mind to do with what they have left. One man may make a sum of money and think he wants to travel, and he uses his money in travel. He goes over to Europe, and he views the battle fields. That is what he does with what remnant of his salary or of his income that he has left. Another man would prefer to buy a little better carpet for his home. Why not let men spend their money in that way so long as the Government has taken its share out of that money?

I know people even in this city who, I do not think, have enough to eat; they skimp and economize in every way in order that they may go to the theater two or three times a week. They enjoy the theater more than they do a good meal. I might enjoy a good meal with my family better than I would enjoy going to the theater. Then why, in heaven's name, can you not let the other man and his family go to the theater and spend his money in that way and let me buy a little better carpet for my home and enjoy my fireside? Why should you make the distinction where it is not necessary to do so?

I do not object to a tax on luxuries; tax them all you have a mind to if they are real luxuries, but do not measure the price of an article in war times in order to determine whether or not it is a luxury. If we were to determine the standards of what is and what is not a luxury by the standard of the price to-day, I do not know a thing you can buy that would not be classed as a luxury. All articles cost from two to three times as much in price as they did before the beginning of this war, and they are still going up. I do not want to send the $60 coat up to $70, for I know the American people have got to buy. I do not want to send the $10 pair of shoes or the $12 pair of shoes, if they are the only pair of shoes one can get which are good, up to a price which will be three or four dollars more and which is still added to by making the tax a little higher.

An ordinary pair of boots for an officer now costs him $35, where before the war he could have bought as good a pair of boots for $8 or $9. Taking your standard of shoes at $10, at $20, or $25, he must pay 20 per cent tax on them.

The Senator says that some of these things could stand a luxury tax, and that is true; they could stand a luxury tax. In other words, people could buy something, maybe, a little cheaper which, in some instances, might last practically as long, but there is no need for the provisions under this title. That is one good reason against the whole of it. There is no occasion for it; we raise enough taxes without it. If we raise enough taxes without taxing everybody for practically everything that he buys, let us do it, for, God knows, what one buys now is heavy enough in its price.

Mr. LODGE. Mr. President, there are no luxury taxes imposed in this bill. This is a part of the title which is called "Excise taxes," and in section 900 there are a number of articles which are purely luxuries; that is, they are articles which are not in the least essential to life, but as to these particular ones which it is now proposed to strike out I think almost every article is a necessity. What the other House has done was to arbitrarily say that above a certain price these articles ought to be taxed.

In the first part of the bill, for instance, it is proposed to tax pianos and all mechanical musical talking devices. It is proposed to tax sporting goods, firearms, hunting knives, cigarette holders, liveries, livery boots and hats, hunting and shooting garments, articles made of fur, yachts and motor boats, toilet soaps, and toilet powders. Those are luxuries that are included there. These are additional taxes based solely on price. Hardly any of them may properly be described as luxuries in themselves. On trunks and valises, purses, portable lighting fixtures, umbrellas, men's and women's clothing, boots, shoes, and everything of that sort which make up the mass of these taxes, 20 per cent additional taxes are imposed.

We say arbitrarily that if a man pays more than $50 for a suit of clothes he ought to be taxed. It is not because it is a luxury, for he has got to have the suit of clothes. Though it is a necessity that he should have a $40 suit, it is assumed that it becomes a luxury if he buys a $51 suit. It is not a luxury in either case; it is an arbitrary determination that above a certain price we shall tax these suits, because the theory is that the people who are ready to pay more than that amount for a given article are able to pay the tax. From the practical side, the effect will undoubtedly be to make people buy the cheaper article, just under the line, and thus avoid the tax.

These taxes went out on the recommendation of the Treasury. They were put in the bill originally to meet the exigencies of war; they had been put in to furnish taxes very late in the war, when it was sought in every corner to obtain revenue. When it was found that we could reduce the amount of the bill, this was one of the taxes that the Treasury recommended should be eliminated, because it was said the cost and difficulty of its administration would be very great, and it would throw the retail business of the country on all these articles, which in themselves are necessities, into great confusion.

These taxes will not fall with any great weight upon that abominable class who are known as rich people; they will fall quite as much upon people of ordinary means who may like to have a good suit of clothes and save their money for that purpose. They will either have to buy an inferior article or pay the tax. The rich who will pay it will not feel it materially at all; but business will feel it, and people who have to look at the dollars they spend will feel it, and they will be the only people who will feel this tax.

I voted very cheerfully to strike it out in the committee, because it seems to me an annoying and troublesome tax, injurious to business, extremely difficult of collection, serving no good purpose, and only defensible at a time when we needed to exhaust every source of taxation.

The general policy, which I am not going to enter into now, has been adopted of avoiding, so far as possible, consumption taxes. Every one of these is a consumption tax, and therefore, when it came to striking out the provision, if I am not mistaken, the vote in the committee was unanimous to strike it out.

Mr. KENYON. Mr. President, is the Senator quite sure that the vote in the committee was unanimous? I have been told it was not unanimous.

Mr. LODGE. Possibly not. The majority, however, in favor of striking out the provision was certainly very large; but that is wholly immaterial as to the merits of the question. I thought that it was so nearly unanimous that the opposition was not noticeable.

Mr. President, I do not wish to take the time of the Senate, but I want to call attention to one or two articles to illustrate what I mean. I think we may say that a carpet is a necessity. There are people, of course, who live without carpets; life can be supported without carpets; but I think in our climate—or, as Mark Twain said: "We have no climate; we only have weather"—in our weather, I think, an umbrella may be described as a necessity. I have observed periods in Washington when I thought a fan might have been described as a necessity. I should say men's waistcoats; men's and boys' suits and overcoats; women's and misses' suits, cloaks, and coats; women's and misses' hats and bonnets; men's and boys' hats; men's and boys' caps; men's, women's, misses,' and boys' boots and shoes; men's and boys' neckties and neckwear—all are necessities. Silk stockings, I may say, are purely luxuries. Men's shirts—a man can go without a shirt; one is not absolutely necessary. Men's pajamas; kimonos, petticoats, and waists.

Now, I have read nearly all of the items, and they are of themselves necessities; yet it is proposed to say that above a certain price they shall be taxed. That does not make them luxuries; that is simply an arbitrary determination that when they cost above a certain amount we shall tax them.

Mr. ASHURST. Mr. President, the Senator is a very fair debater and is a very scholarly and able man. He has selected certain articles which I am bound to concede are necessities, but he can not in debate merely select one thing from the text and wrench it from its context and make it stand apart.

Mr. LODGE. I think I omitted all the things that can possibly be described as luxuries.

Mr. ASHURST. To attempt to sustain my position, I want the Senator to be frank, as I know he will be, as to the items that I am about to mention, as he has been as to the others. Take the top of page 200, where the House puts a tax on purses, pocketbooks, and hand bags that cost in excess of $7.50. Does not the Senator think in these times that a hand bag or a purse that costs in excess of $7.50 is a luxury?

Mr. LODGE. I did not mention those articles as necessities.

Mr. ASHURST. I know the Senator did not, but the Senator selected a number of articles which he said were necessities.

Mr. LODGE. I read them and stated that I read nearly all, and I did read nearly all. Purses may be called a luxury.

One can carry bills in an envelope and his change loose in his pocket; I know that.

Mr. ASHURST. That is not the point exactly.

Mr. LODGE. I am perfectly willing to assume that a portable lighting fixture is not a necessity.

Mr. ASHURST. Very true.

Mr. LODGE. One may use a candle.

Mr. ASHURST. Now, take the item on line 8—smoking jackets.

Mr. LODGE. I did not read that item; that is a luxury, I admit.

Mr. ASHURST. The distinguished Senator has been just as fair as I thought he would be. The only point I sought to make was that there were some articles in the list that were luxuries.

Mr. LODGE. There are a few.

Mr. ASHURST. That is all there is to the controversy.

Mr. LODGE. I omitted silk stockings, but I think most of the articles in the paragraph in themselves are necessities. All we do here is to say that above a certain price we will tax them. We do not say they are luxuries; it is a misnomer to call them luxuries; they have not been so mentioned in the bill at all; but we fix an arbitrary price and say we will tax them. Mr. President, when we come to argue what people need, I think there are some lines in Shakespeare that show the difficulty of defining such a thing, as, for instance, where King Lear is made to say:

> Oh, reason not the need; our basest beggars
> Are in the poorest things superfluous.
> Allow not nature more than nature needs;
> Man's life's as cheap as beast's.

I think we can not lay down any hard-and-fast line of that kind. As I have said, these taxes are defensible only on a war basis. We have reduced the taxes in this bill $2,000,000,000, and we propose to eliminate a few millions dollars by striking out a tax which the administration urges us to take out, a tax that would be difficult to collect and difficult of administration, extremely annoying, and the kind of tax which I think is much better out of the bill than in it.

Mr. SMITH of Michigan. Mr. President, if the Senator from Massachusetts will allow me, it was put in before the war closed, was it not?

Mr. LODGE. Certainly; it was put in by the House.

Mr. SMITH of Michigan. And it was put in for the purpose of discouraging investment in that kind of articles?

Mr. LODGE. Absolutely; that was its purpose.

Mr. SMITH of Michigan. And now the reason for it has passed.

Mr. SIMMONS. Mr. President, I simply wish to say that I know, as a matter of fact, that the Committee on Ways and Means put this provision in the bill because at the time it seemed to be necessary in order to get the amount of revenue required, and also for the reason the Senator from Michigan [Mr. SMITH] has just given. I know that many of the members of that committee would like to see these taxes go out of the bill.

Mr. President, I think that the Senate clearly understands this matter, and I hope we may have a vote upon it. If we are going to discuss every item that is likely to come up to-day as long as we have discussed this item, of course there will be no possibility of passing this bill by midnight to-night. I had hoped that it would not be necessary to keep the Senate here until midnight, but we can not pass it even by that time; we can not pass it in a week if we devote as much time to other provisions as we have devoted to this provision.

SEVERAL SENATORS. Vote!

Mr. KENYON. Mr. President, on this question I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. SIMMONS. Mr. President, I do not think the Senate understands what they are voting on.

The VICE PRESIDENT. The Chair thinks it should be understood by the Senate by this time.

Mr. SIMMONS. The question is on agreeing to the committee amendment.

The VICE PRESIDENT. Yes; and that strikes out the House text. The Secretary will call the roll.

The Secretary proceeded to call the roll.

Mr. BRANDEGEE (when his name was called). I am paired with the senior Senator from Tennessee [Mr. SHIELDS]. I transfer that pair to the junior Senator from New Jersey [Mr. BAIRD] and vote. I vote "yea."

Mr. JONES of Washington (when his name was called). I am paired for the time being with the senior Senator from Louisiana [Mr. RANSDELL]. I do not know how he would vote on this amendment, and therefore I withhold my vote. If at liberty to vote, I should vote "nay."

Mr. KENDRICK (when his name was called). I have a general pair with the senior Senator from New Mexico [Mr. FALL], which I transfer to the junior Senator from Montana [Mr. WALSH] and vote "nay."

Mr. NEW (when his name was called). I have a pair with the junior Senator from Louisiana [Mr. GAY]. Not knowing how he would vote, I withhold my vote. If permitted to vote, I should vote "yea."

Mr. SAULSBURY (when his name was called). I have a general pair with the senior Senator from Rhode Island [Mr. COLT], which does not apply to votes hereafter to be taken on this bill nor to this one. If present, he would vote as I shall vote. Therefore I vote "yea."

Mr. SMITH of Michigan (when his name was called). I have a pair with the senior Senator from Missouri [Mr. REED]. As he is absent, I will transfer that pair to the senior Senator from New Jersey [Mr. FRELINGHUYSEN] and vote "yea."

Mr. STERLING (when his name was called). I have a general pair with the senior Senator from South Carolina [Mr. SMITH] and therefore withhold my vote. If at liberty to vote, I should vote "nay."

Mr. TOWNSEND (when his name was called). I have a general pair with the senior Senator from Arkansas [Mr. ROBINSON]. In his absence I withhold my vote. If at liberty to vote, I should vote "nay."

The roll call was concluded.

Mr. GERRY (after having voted in the affirmative). I inquire if the junior Senator from New York [Mr. CALDER] has voted?

The VICE PRESIDENT. He has not.

Mr. GERRY. I have a general pair with the junior Senator from New York, which I transfer to the Senator from Nevada [Mr. PITTMAN] and allow my vote to stand.

Mr. MYERS. I have a pair with the Senator from Connecticut [Mr. MCLEAN], who is absent. As I am unable to obtain a transfer, I withhold my vote.

Mr. CURTIS. I have been requested to announce the following pairs:

The Senator from West Virginia [Mr. GOFF] with the Senator from Oklahoma [Mr. OWEN];

The Senator from Illinois [Mr. SHERMAN] with the Senator from Kansas [Mr. THOMPSON]; and

The Senator from New York [Mr. WADSWORTH] with the Senator from New Hampshire [Mr. HOLLIS].

The result was announced—yeas 32, nays 38, as follows:

YEAS—32.

Bankhead	Knox	Saulsbury	Sutherland
Brandegee	Lewis	Simmons	Swanson
Culberson	Lodge	Smith, Ariz.	Thomas
Dillingham	McCumber	Smith, Ga.	Underwood
Gerry	Martin, Va.	Smith, Md.	Warren
Gore	Moses	Smith, Mich.	Watson
Henderson	Page	Smoot	Williams
Jones, N. Mex.	Penrose	Spencer	Wolcott

NAYS—38.

Ashurst	Hale	La Follette	Poindexter
Beckham	Harding	Lenroot	Pollock
Borah	Hitchcock	McKellar	Pomerene
Chamberlain	Johnson, Cal.	McNary	Shafroth
Cummins	Johnson, S. Dak.	Martin, Ky.	Sheppard
Curtis	Kellogg	Nelson	Trammell
Fernald	Kendrick	Norris	Vardaman
Fletcher	Kenyon	Nugent	Weeks
France	King	Overman	
Gronna	Kirby	Phelan	

NOT VOTING—26.

Baird	Hardwick	Pittman	Sterling
Calder	Hollis	Ransdell	Thompson
Colt	Jones, Wash.	Reed	Townsend
Fall	McLean	Robinson	Wadsworth
Frelinghuysen	Myers	Sherman	Walsh
Gay	New	Shields	
Goff	Owen	Smith, S. C.	

So the amendment of the committee was rejected.

Mr. HITCHCOCK. Mr. President, I ask the Senator in charge of the bill to permit me to report from the Committee on Military Affairs an emergency bill.

Mr. SIMMONS. I shall yield for that purpose, because the Senator from Nebraska tells me that it will take only a few minutes to read the bill and that it will lead to no debate.

The VICE PRESIDENT. Without objection, the unfinished business will be temporarily laid aside.

INDEMNITY FOR DAMAGES IN FRANCE.

Mr. HITCHCOCK. From the Committee on Military Affairs, I report back favorably, without amendment, the bill (S. 5213) to amend the act approved April 18, 1918, to give indemnity for damages caused by American forces abroad, and I ask unanimous consent for its present consideration.

The VICE PRESIDENT. Is there objection to the present consideration of the bill?

There being no objection, the Senate, as in Committee of the Whole, proceeded to consider the bill, which was read, as follows:

Be it enacted, etc., That the act approved April 18, 1918, entitled "An act to give indemnity for damages caused by American forces abroad," be amended by adding the following section:

"SEC. 5. That this act shall be held to include claims for damages or remuneration arising out of contracts, informal purchase orders, or other obligations for supplies for the American military forces in Europe given by authorized representatives of such forces prior to November 12, 1918, and later canceled, reduced, or discontinued."

Mr. HITCHCOCK. Mr. President, by way of explanation of this measure I will say that the Secretary of War forwards me a cablegram received from Gen. Pershing, in which he states that the armistice found some 2,000 contracts or informal orders that have been made for supplies that are not now needed, and he desires immediate authority to cancel them and settle them. He says that it can be done at once at a very much less cost than if it is allowed to delay, and damages accumulate; and this bill simply adds to the power of settlement of claims granted in a bill which was passed last summer.

Mr. BORAH. Mr. President, does this bill confer upon Gen. Pershing the unlimited power to settle them according to his discretion? I am very much opposed to this way of settling these matters.

Mr. HITCHCOCK. It permits the officers in charge of our purchases over there to cancel and settle claims for supplies ordered in good faith, in order that the contracts, instead of being carried out and resulting in the accumulation of large supplies, may be cut off now.

Mr. BORAH. I am perfectly willing to have the contracts canceled; but what I want to know more about is, who is to pass upon the amount of damage which is to be done by reason of the stoppage?

Mr. HITCHCOCK. The same officials who were allowed to pass upon the damages incurred by our troops over there in the bill that we passed last summer. Those damages are constantly arising, and we gave to the authorities under Gen. Pershing the power to cancel and settle them. The bill gives large powers, but the amount involved in this case is not very large. I will say to the Senator that the question is now pending as to how we can settle the contracts in this country. It has been proposed to give the War Department officials the power to settle them, but we think the amount involved is so huge that a commission should be appointed, and we shall probably report a bill for that purpose. We think, however, that in the case of these 2,000 contracts and informal orders in France, a great deal of money will be saved by giving Gen. Pershing the power to settle them at once. He states in this cablegram that the total amount of the settlement will not exceed $3,000,000, and he says:

Delay in payment would naturally very much increase the amount. The contractors will be embarrassed, and many of them perhaps ruined if relief can not be given at once. They are willing to accept reasonable terms now, but if compelled to wait, their claims will be greatly augmented and heavy damages may have to be paid.

Mr. BORAH. It will be understood, I suppose, that this is no precedent for this kind of a settlement in this country?

Mr. HITCHCOCK. No; I am very much opposed to doing anything of that sort in this country. I believe there ought to be a commission for that purpose.

Mr. BORAH. Of course, one is at a great disadvantage in knowing whether or not it is a good precedent for any place, and is not in a position to object, perhaps, by reason of that fact; but it should not be considered for a moment the proper method of settling damages here.

Mr. HITCHCOCK. I agree with the Senator fully in that matter, and I will say that the committee agrees with him fully, but regards this as an absolute necessity.

Mr. SMITH of Michigan. Mr. President, let me ask the Senator if this bill does not carry with it the validation of very informal and not strictly legal contracts?

Mr. HITCHCOCK. It probably does.

Mr. SMITH of Michigan. And it is to give dignity to that kind of contracts and then allow them to be settled?

Mr. HITCHCOCK. On matters that have been ordered informally over there under the stress of war and which would have been paid in the normal course of events, which we want to settle promptly now.

The bill was reported to the Senate without amendment, ordered to be engrossed for a third reading, read the third time, and passed.

THE REVENUE.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 12863) to provide revenue, and for other purposes.

Mr. SIMMONS. Mr. President, I understand that the Senator from Utah [Mr. SMOOT] has an amendment which he desires to offer.

Mr. SMOOT. Mr. President, the Senator from Connecticut [Mr. MCLEAN] submitted an amendment to the committee some days ago and asked me to present it to the committee and then report it to the Senate. I now offer that amendment. It is as follows:

On page 132, line 14, insert:

Provided, however, That the amount of the tax shall be finally determined by the commissioner within five years after the decedent's death, unless the due date is extended by the commissioner, in which case such tax shall be finally determined by the commissioner within one year after the termination of the extended period.

Mr. SIMMONS. Mr. President, I accept that amendment. It has been presented to the committee.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 132, in the amendment of the committee, in section 410, at the end of line 14, after the word "paid," it is proposed to insert a colon and the following:

Provided, however, That the amount of the tax shall be finally determined by the commissioner within five years after the decedent's death, unless the due date is extended by the commissioner, in which case such tax shall be finally determined by the commissioner within one year after the termination of the extended period.

The amendment to the amendment was agreed to.

The amendment as amended was agreed to.

Mr. MCCUMBER. Mr. President, I call the chairman's attention to page 226 of the bill.

Mr. SIMMONS. We are not through with the committee amendments yet.

Mr. MCCUMBER. This is on a committee amendment.

Mr. SIMMONS. Is it an amendment to a committee amendment?

Mr. MCCUMBER. Yes; on page 226.

Mr. SIMMONS. If the Senator will allow me to offer some committee amendments first——

Mr. MCCUMBER. This is an amendment which was really agreed to by the committee, as I understand, and which we failed to insert in the bill.

On page 226 the Senate struck out lines 15 to 20, relating to the Harrison Drug Act. Before the committee there was a proposition made compelling druggists who compounded any of these habit-forming drugs also to keep a list of the persons to whom they furnished them, a list of the goods, and so forth. I notice that it is not in the bill.

Mr. SIMMONS. The Senator is correct. I shall accept the amendment.

Mr. MCCUMBER. The experts have drawn it, and I ask that it be inserted. It is on page 226, line 15, section 1009.

That section 6 of such act of December 17, 1914, is amended by striking out the period after the word "act" at the end of the proviso, and adding a colon and the following:

"*Provided further,* That a record is kept by the manufacturer, producer, or compounder of such preparations, remedies, and specifics containing such drugs, or by the dealer who knowingly sells the same, giving the date, quantity, name, and address of persons to whom such remedies, preparations, or specifics are sold, distributed, given away, or dispensed."

I offer that amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from North Dakota.

The amendment was agreed to.

Mr. SIMMONS. Mr. President, I have some amendments which I wish to present.

On page 5, line 25, after the word "title," I move to insert in parentheses the words "excepting section 246."

The amendment was agreed to.

Mr. SIMMONS. On page 51, lines 18 and 19, I move to strike out the words "paragraphs (1) to (10), inclusive, of subdivision (a) of."

The VICE PRESIDENT. Without objection, the vote whereby the amendment at that point was agreed to will be reconsidered. The question is on agreeing to the amendment to the amendment.

The amendment to the amendment was agreed to.

The amendment, as amended, was agreed to.

Mr. SIMMONS. Mr. President, I send to the desk several committee amendments which I ask to have stated.

The VICE PRESIDENT. The amendments will be stated.

The SECRETARY. On page 23, line 19, it is proposed to amend section 213 by striking out the words "and including."

The amendment was agreed to.

The SECRETARY. Also, at the end of line 21, insert——

Mr. BRANDEGEE. Mr. President, before that is reached, in relation to the amendment just prior to that on line 19, does the Senator mean to strike out the words "and including"?

Mr. SIMMONS. Yes.

Mr. BRANDEGEE. Would that make sense, Mr. President? It does not seem to me that it would.

The VICE PRESIDENT. No; it would not, but that does not make any difference.

Mr. BRANDEGEE. I think one of the words should be left in. If the amendment as proposed by the Senator is adopted, it would read:

Or other interest-bearing obligations of residents, corporate or otherwise, dividends from resident corporations.

It does not seem to me to be intelligible.

Mr. SIMMONS. I was going to offer another amendment. It is not intelligible without the other amendment which I am going to offer right now.

Mr. BRANDEGEE. If there is something else that will make it intelligible, I have no objection, but with the amendments being offered one at a time in this way it is impossible to see what it is desired to accomplish.

Mr. SIMMONS. I am going to offer another amendment in that same connection.

Mr. BRANDEGEE. Very well; I have no objection.

Mr. SIMMONS. I ask to have the next amendment stated.

The SECRETARY. On line 19 strike out the words "and including," and at the end of line 19 add the words "and including all amounts received (although paid under a contract for the sale of goods or otherwise) representing profits on the manufacture and disposition of goods within the United States."

Mr. BRANDEGEE. Mr. President, before these amendments are agreed to I should like to have the amendment read as it will be if agreed to.

Mr. SIMMONS. Very well. I will send it up. It was due to inadvertence that I did not send it up.

The SECRETARY. It is proposed on page 23, line 19, to strike out the words "and including," which has been agreed to, and at the end of line 19, after the word "corporations," to insert "and including all amounts received (although paid under a contract for the sale of goods or otherwise) representing profits on the manufacture and disposition of goods within the United States," so that if amended the paragraph will read:

(c) In the case of nonresident alien individuals, gross income includes only the gross income from sources within the United States, including interest on bonds, notes, or other interest-bearing obligations of residents, corporate or otherwise, dividends from resident corporations, and including all amounts received (although paid under a contract for the sale of goods or otherwise) representing profits on the manufacture and disposition of goods within the United States.

Mr. BRANDEGEE. That is intelligible now.

The VICE PRESIDENT. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. SIMMONS. Mr. President, the same amendment has to appear at another place in the bill, on page 53. I send it to the desk and ask to have it stated.

The SECRETARY. On page 53, line 21, strike out the words "and including," the first two words in the line, and after "corporations," at the end of the line, insert the same words as before.

The amendment was agreed to.

Mr. SIMMONS. I send to the desk another amendment, which I ask to have stated.

The VICE PRESIDENT. The Secretary will state the amendment.

The SECRETARY. On page 60, line 5, in the committee amendment, it is proposed to strike out the numerals "13" within brackets and insert "10."

The VICE PRESIDENT. Without objection, the vote whereby the committee amendment at that point was agreed to will be reconsidered.

The amendment to the amendment was agreed to.

The amendment as amended was agreed to.

Mr. SIMMONS. I send another amendment to the desk and ask to have it stated.

The VICE PRESIDENT. The Secretary will state the amendment.

The SECRETARY. On page 64, lines 7 and 8, it is proposed to strike out the words "not exempt under subdivisions (1) to (13) of section 231" and in lieu thereof to insert the words "subject to taxation under this title, and every personal-service corporation."

The amendment was agreed to.

Mr. SIMMONS. I send to the desk another amendment.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 225, lines 11 and 12, it is proposed to strike out the words "in personal attendance upon such patient."

The amendment was agreed to.

Mr. SIMMONS. I send to the desk a series of amendments, which simply provide for filling in dates where we struck out the dates as the bill passed the House, and left blanks, because the bill will not be passed as early as the House thought it would.

The VICE PRESIDENT. The amendments will be stated.

The SECRETARY. On page 137, line 3, after the matter stricken out, it is proposed to insert, in the blank, "April 1, 1919."

The amendment was agreed to.

The SECRETARY. On page 177, line 22, before the comma insert "May 1, 1919."

The amendment was agreed to.

The SECRETARY. On page 188, line 12, after the matter stricken out insert "April 1, 1919."

The amendment was agreed to.

The SECRETARY. On page 191, line 24, insert "April 1, 1919."

The amendment was agreed to.

The SECRETARY. On page 202, line 8, after the matter stricken out, insert "April 1, 1919."

The amendment was agreed to.

The SECRETARY. On page 204, line 4, insert in lieu of the blank the word "May."

The amendment was agreed to.

The SECRETARY. On page 205, line 3, after the matter stricken out, insert "May 1, 1919."

The amendment was agreed to.

The SECRETARY. On page 228, line 13, after the matter stricken out, insert "April 1, 1919."

The amendment was agreed to.

Mr. KENYON. Mr. President, I wish to ask the Senator from North Carolina a question. Was the amendment on page 202, line 20, providing for a reduction from 10 per cent to 5 per cent on jewelry, precious stones, and so forth, adopted?

Mr. SIMMONS. Yes; that has been adopted.

Mr. KENYON. I was anxious to have a vote on that amendment, but I suppose it will not do any good to have it reconsidered. I therefore think perhaps I will not ask for a vote, as it will do no good.

Mr. SIMMONS. We reduced one-half nearly all of those taxes that have been imposed by the House. Some of them we did not reduce, however.

Mr. KENYON. It occurs to me, in view of the fact that section 905 remains in the bill, providing for a 20 per cent tax above certain amounts, that these other reductions are not now in harmony with that section. I will content myself with expressing opposition to that reduction, however, and will not take up time in asking for another vote.

Mr. SIMMONS. Mr. President, I do not think the amendment on page 47, beginning at line 23, has been agreed to. I will ask the Chair if that is correct.

The VICE PRESIDENT. It has been agreed to.

The SECRETARY. The next amendment passed over is on page 137, in subdivision (a), where the committee proposes to strike out all of lines 12, 13, 14, and 15.

Mr. SIMMONS. Mr. President, just a moment. The Senator from Washington [Mr. JONES] desired to make some observations with reference to that amendment, but he is not in the Chamber. The Senator from Colorado [Mr. THOMAS] is present, and I should like to take up the title of "Inheritance tax."

Mr. THOMAS. Mr. President, on page 123, line 23, I have moved to strike out——

The VICE PRESIDENT. Is the vote to be reconsidered whereby that amendment was agreed to?

Mr. THOMAS. Why, Mr. President, it has not been agreed to. I reserved the right when the title was reached to make this motion. It is to strike out all after the word "decedent" on line 23 of page 123.

It will be observed, Mr. President, that the paragraph to which the motion relates requires an inheritance tax to be paid upon the receipt by a beneficiary of an amount of insurance in excess of $25,000 under policies taken out by the decedent upon his own life.

In effect, that means that if a man has a policy of insurance upon his life for anything in excess of $25,000 an inheritance tax is levied upon the excess.

Mr. SIMMONS. I think we will agree to the amendment.

Mr. THOMAS. I do not care to take up the time of the Senate if the chairman of the committee and the Senate are willing to accept the amendment. I may say, however, it will require the striking out of certain other portions of the title in order to make it harmonize.

Mr. SIMMONS. Yes; that can be done.

The VICE PRESIDENT. The vote whereby the amendment was agreed to is, without objection, reconsidered.

Mr. THOMAS. There has been no vote taken upon it at all; at least, I am so informed.

The VICE PRESIDENT. The Chair knows a few things, and the Chair knows that this amendment was agreed to.

Mr. THOMAS. I do not pretend to know anything; but I know, however, that when this page was reached I reserved the right to make this motion, and I was informed that the entire title would have to be suspended until that motion was disposed of.

The VICE PRESIDENT. The fact about the matter is that I suppose nobody knows.

Mr. THOMAS. I do not want to be put in a position of differing with the Chair.

Mr. SIMMONS. Let a motion be made to reconsider.

The VICE PRESIDENT. It is reconsidered, without objection.

Mr. THOMAS. Then the amendment is presented; and I understand the chairman of the committee will accept it.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 123, beginning at line 23, after "decedent," strike out: "and (3) the receipt by a beneficiary of an amount of insurance in excess of $25,000 under policies taken out by the decedent upon his own life."

The VICE PRESIDENT. The motion is to strike out that paragraph.

Mr. THOMAS. Yes; to strike out the paragraph.

The VICE PRESIDENT. Is there objection to striking it out? The Chair hears none, and the amendment is agreed to. Are there other amendments to the inheritance title?

Mr. LODGE. Some other amendments will be necessary now that that amendment has been made.

Mr. GERRY. I will offer the amendments. On page 131, line 9, there was an insertion and an amendment was agreed to.

The SECRETARY. An amendment offered by the Senator from Utah [Mr. SMOOT].

Mr. GERRY. That should be stricken out.

Mr. BRANDEGEE. What was the amendment agreed to?

The SECRETARY. To insert after the word "taxes," in line 9, page 131:

INHERITANCE TAXES.

Each beneficiary of an amount of insurance in excess of $25,000 under policies taken out by the decedent upon his own life shall within 20 days after coming into possession of such insurance give written notice thereof to the collector, and shall also at such time and in such manner as may be required by regulations made pursuant to law file with the collector a return under oath setting forth (a) the total insurance received, (b) such additional data as may be necessary to establish the correct tax, and (c) the tax paid or payable thereon. At the same time or upon his later appointment a duplicate of such return shall also be furnished the executor. The beneficiary shall pay the tax upon such insurance to the executor within 30 days after receipt of the amount, or, if the executor has not then been appointed, within 30 days after such appointment.

The VICE PRESIDENT. The question is on agreeing to the vote whereby the amendment was adopted. It is reconsidered, without objection. The question is on the amendment.

The amendment was rejected.

Mr. GERRY. On page 133, line 1, another amendment should be made. I ask the Secretary to state it.

The SECRETARY. After the word "decedent" in line 1 of the amendment offered by the Senator from Utah [Mr. SMOOT] was agreed to, which inserted a comma and the words "except payment of insurance upon the life of the decedent."

The VICE PRESIDENT. The vote whereby it was adopted will be reconsidered, without objection, and the amendment rejected.

Mr. GERRY. On page 133, line 19, after the word "transferee," there was inserted "except payment of insurance upon the life of the decedent."

The VICE PRESIDENT. The vote whereby the amendment was agreed to will be reconsidered, without objection, and the amendment will be rejected.

Mr. GERRY. On page 134, line 12, after the word "period," there were inserted the words "except where such annuities or limited estates are created in the proceeds of insurance taxable under this title."

The VICE PRESIDENT. Without objection, the vote whereby the amendment was agreed to will be reconsidered and, without objection, the amendment will be rejected.

Mr. GERRY. That covers all the amendments.

The VICE PRESIDENT. Is there further amendment to the so-called inheritance-tax title?

Mr. SIMMONS. There are two amendments on page 137, lines 12 to 15.

The VICE PRESIDENT. But this is another section. Are there further amendments to the inheritance-tax amendment?

Mr. SIMMONS. There are no other amendments.

The VICE PRESIDENT. Then it is agreed to as amended, without objection.

Mr. JONES of Washington. There are two committee amendments on page 137 that went over at my request. I understand that the chairman of the committee is willing to have those two amendments rejected.

Mr. SIMMONS. Yes.

Mr. JONES of Washington. Therefore I will not take the time of the Senate to refer to them.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 137, beginning at line 12, strike out the words "and a like tax on the amount paid for such transportation within the United States of property transported from a point without the United States to a point within the United States," so as to read:

TITLE V.—TAX ON TRANSPORTATION AND OTHER FACILITIES, AND ON INSURANCE.

SEC. 500. That from and after ——— there shall be levied, assessed, collected, and paid, in lieu of the taxes imposed by section 500 of the revenue act of 1917—

(a) A tax equivalent to 3 per cent of the amount paid for the transportation on or after such date, by rail or water or by any form of mechanical motor power when in competition with carriers by rail or water, of property by freight transported from one point in the United States to another.

The amendment was rejected.

The next amendment was, on page 137, after "another," to strike out the following words: "and a like tax on the amount paid for such transportation within the United States of property transported from a point without the United States to a point within the United States," so as to read:

(b) A tax of 1 cent for each 20 cents or fraction thereof of the amount paid to any person for the transportation on or after such date, by rail or water or by any form of mechanical motor power when in competition with express by rail or water, of any package, parcel, or shipment, by express, transported from one point in the United States to another.

The amendment was rejected.

Mr. TOWNSEND. Are the committee amendments disposed of?

Mr. SIMMONS. No.

The SECRETARY. An amendment passed over is on page 176, line 17, after the word "half," to insert "of one"; in line 19, after the word "to," to strike out "30" and insert "15"; in line 20, after the word "all," to strike out "unfermented grape juice"; in line 23, after the word "drinks," to insert "(except fruit or berry juice)"; at the beginning of line 26, to strike out "20" and insert "10"; on page 177, line 3, after the word "containers," to strike out "at over 10 cents per gallon"; and, at the beginning of line 4, to strike out "of 2 cents per gallon" and insert "equivalent to 5 per cent of the price for which so sold," so as to make the section read:

SEC. 628. That there shall be levied, assessed, collected, and paid in lieu of the taxes imposed by sections 313 and 315 of the revenue act of 1917—

(a) Upon all beverages derived wholly or in part from cereals or substitutes therefor, and containing less than one-half of 1 per cent of alcohol, sold by the manufacturer, producer, or importer, in bottles or other closed containers, a tax equivalent to 15 per cent of the price for which so sold; and upon all ginger ale, root beer, sarsaparilla, pop, artificial mineral waters (carbonated or not carbonated), other carbonated waters or beverages, and other soft drinks (except fruit or berry juice), sold by the manufacturer, producer, or importer, in bottles or other closed containers, a tax equivalent to 10 per cent of the price for which so sold; and

(b) Upon all natural mineral waters or table waters sold by the producer, bottler, or importer thereof, in bottles or other closed containers, a tax equivalent to 5 per cent of the price for which sold.

This was passed over at the request of the senior Senator from Wisconsin [Mr. LA FOLLETTE].

Mr. SIMMONS. I think we can act on the amendment now. The senior Senator from Wisconsin has presented a substitute for the bill.

The amendment was agreed to.

The SECRETARY. The next amendment passed over is on page 197, to insert lines 1 and 2, in the following words:

(18) Articles made out of any fur, or articles of which fur is the component material of chief value, 10 per cent.

The VICE PRESIDENT. That was passed over at the request of the Senator from Missouri [Mr. SPENCER].

Mr. LODGE. I suggest that that be passed over for a minute until the Senator from Missouri returns.

Mr. SIMMONS. It can be passed over.

The SECRETARY. The next amendment passed over was on page 251, at the request of the senior Senator from Utah [Mr. SMOOT], following line 3, to strike out "from lists of eligibles to be supplied by the Civil Service Commission, and in accordance with the civil-service law," and to insert "as provided by law."

Mr. SMOOT. I have been assured by the Civil Service Commission or the officials of the commission that the wording as

adopted would cover all that I intended to cover by the amendment that I proposed to submit. Therefore I shall not ask for a vote upon it but will let it be agreed to.

The VICE PRESIDENT. The question is on agreeing to the amendment of the committee.

The amendment was agreed to.

The VICE PRESIDENT. The Secretary informs the Chair that this completes all the committee amendments except the one passed over at the request of the Senator from Missouri [Mr. SPENCER].

Mr. SMOOT. The Senator from Missouri is not in, and I should like to call attention to section 905. I want to ask the Senator from Iowa if he desires that section to remain as it is. There were certain amendments that were offered in the committee.

Mr. SIMMONS. On what page?

Mr. SMOOT. Page 199. There were certain amendments to this section adopted by the committee. As to the first one, I want to ask the Senator from Iowa if he desires the bill to remain just as it passed the House? Before he answers I wish to tell him what effect it will have, and I think he will agree that the amendment that was agreed to by the Finance Committee ought to be adopted. The provision in the bill as it passed the House reads:

SEC. 905. (a) That on and after November 1, 1918, there shall be levied, assessed, collected, and paid a tax equivalent to 20 per cent of so much of the amount paid for any of the following articles as in excess of the price hereinafter specified as to each such article, when such article is sold on or after such date for consumption or use.

That means that if the manufacturer sells it 20 per cent is imposed upon him; then on the jobber who buys it there will be 20 per cent imposed, and then on the wholesaler 20 per cent, and then the retailer 20 per cent. The amendment that was agreed to in the committee was, after the word "sold," to insert "by a dealer." Then it confines itself to the dealer who sells the article to the consumer. If that amendment is not made, we shall have at least four 20 per cent taxes imposed upon the articles enumerated.

Mr. THOMAS. I should like to ask right in that connection whether the tax is not excessive, in view of the changed conditions, and whether 10 per cent would not be more fair than the very large tax of 20 per cent?

Mr. SMOOT. I understand there is a proposition to strike out "20" and insert "10," but I want to get this fairly before the Senator from Iowa.

Mr. KENYON. I had no such intention as that.

Mr. LODGE. Is this a proposal that it shall not be collected from the purchaser?

Mr. SMOOT. No; the way it stands now is this: Twenty per cent upon all sales no matter who it is sold by, the manufacturer or jobber, and then 20 per cent from the wholesaler to the retailer.

Mr. LODGE. Collected four times?

Mr. SMOOT. Yes.

Mr. LODGE. That is now expressed at the end of the section—that we collect 20 per cent from the purchaser at the time of the sale.

Mr. SMOOT. The Committee on Finance inserted, after the word "sold," the words "by a dealer," so that it shall only apply to a dealer who sells to the consumer. I suggest an amendment after the word "sold" in the House provision.

Mr. KENYON. The Senator from Wisconsin suggests, in line 18, the words "for consumption" be used. Would not that obviate the difficulty the Senator raises?

Mr. SMOOT. It may be sold for consumption. If it is a piece of cloth and made into a garment, it is consumption as far as the manufacturer is concerned.

Mr. KENYON. I have no objection to it.

Mr. SMOOT. I think there would not be any doubt if that is put in.

Mr. KENYON. I think those words should be inserted to make it clear.

Mr. SMOOT. Then I move, on page 199, after the word "sold," in line 18, to insert "or by a dealer."

Mr. SIMMONS. I accept that amendment.

The amendment to the amendment was agreed to.

The amendment as amended was agreed to.

Mr. JONES of New Mexico. Mr. President, I am misinformed or my recollection is at fault if the committee amendment on page 20 has been agreed to. If it has been agreed to, the action of the Senate in agreeing to it was inadvertently overlooked by me, because I certainly intended to ask for some modification in that paragraph. It is on page 20, paragraph 4, the paragraph which relates to State and municipal bonds, the interest on those not being subject to tax.

If I am permitted to do so, I should like to modify the paragraph as amended by the committee, or, in other words, as the committee reports it.

The VICE PRESIDENT. Without objection, the vote whereby the amendment was agreed to is reconsidered and the paragraph is now subject to amendment.

Mr. JONES of New Mexico. On page 20, beginning in line 20, after the figure 4 in parentheses, I move to strike out all of the paragraphs down to the word "That" on page 21, line 6. The purpose of the amendment which I now propose is to exclude from gross income only the interest derived from the holding of $5,000 in the aggregate in State and municipal bonds. It is a question which I discussed at some length the other day, and it has been the subject of discussion in the Senate.

The senior Senator from Pennsylvania [Mr. PENROSE] expressed his views with regard to it when I was making my general presentation, and I understand that the junior Senator from Pennsylvania [Mr. KNOX] made rather an extended argument upholding the constitutionality of the tax upon interest derived from State and municipal bonds. I know there is a difference of opinion among Senators as to the constitutionality of such a tax; but for one I believe that it is constitutional, and if it is the tax ought to be levied.

There are now in this country about $6,000,000,000 or $7,000,000,000 of State and municipal securities, and the bill as amended would exempt from taxation any interest on all those bonds. It would likewise exempt from taxation the interest derived from future issues of such bonds. It would simply enable people to invest their holdings in such bonds and escape high surtaxes.

As I stated the other day, the market for these bonds is on the boom simply because of the attitude of the Senate committee in putting in this provision. I also called attention to the fact that in the issue of our own bonds we restricted the exemption of the interest on those bonds from taxation, because we did not want to withdraw that much of the wealth of the country from taxes which was needed to support the Government.

The first issue of bonds provided for a rate of interest of 3½ per cent. The interest derived from those bonds is exempt from all tax. The result is that those bonds are selling for about par to-day. We placed the interest on the next issue of bonds at 4 per cent, and then later at 4¼ per cent for the reason that we declined to exempt the interest upon any of those bonds from taxation. So we are paying 4¼ per cent upon bonds of the Government which are selling to-day at about 5 per cent discount for the reason that we were not willing to exempt the interest of those bonds from taxation. The result is that the Government to-day on its own financing is willing to pay about 22 per cent additional in interest for the present in order to preserve the right to tax the interest which may arise from such bonds. Now, shall we make a present to the States of that amount—of that advantage—and have no returns to the Government? The Senate has considered this as of vital importance and we are paying for it at the rate of 22 per cent to-day. We are paying for that privilege. We do not want to permit the capital of this country to bury itself in these bonds and escape any support of the Government.

So I say if we permit individuals to own as much as $5,000 of the bonds and hold the interest upon that amount free from tax it is quite sufficient; we are making a sufficient present to the States and to the municipalities. If anyone wants to make a small investment in bonds of his own State or municipality, the provision which I propose would exempt it to the extent of $5,000. Even of the 4¼ per cent bonds we have issued we exempt only $30,000 from surtaxes and that only for a period of two years after the war. We are paying for that privilege by levying surtaxes upon income from our own bonds. Shall we give the States and municipalities an advantage which we are willing to pay for ourselves? If we do this, it simply will result in making a donation to the holders of these bonds which will amount to at least 20 per cent of their holding.

There is opposition to this tax on the part of some Senators, because they think it is unconstitutional. That question has been argued. Those who believe that it is unconstitutional, of course, will not vote for taxation upon such bonds, but it is my judgment, as the junior Senator from Pennsylvania [Mr. KNOX] some time ago argued, that it is constitutional to levy the tax. Therefore, Mr. President, I propose that amendment.

Mr. THOMAS. Mr. President, I trust the amendment offered by the Senator from New Mexico will be rejected. I have the very highest opinion of the Senator's judgment as a lawyer and a legislator, but I am so profoundly convinced that this is a question beyond the power of the Congress of the United States

that I believe the only effect of it will be that the Supreme Court will set aside, as it always has set aside, legislation like this.

It is true that the junior Senator from Pennsylvania delivered a most profound argument some two or three months ago upon this subject, and that his argument was favorable to the imposition of such a tax, but it is significant that the Senator based his argument entirely upon the proposition that in the exercise of its war powers the tax could be imposed as a war tax. The Senator did not challenge or criticize the many decisions of the Supreme Court of the United States to the contrary, but the position which he took was one whose legal consequences necessarily involve the proposition that during the period of war the Government could impose any tax upon anything or anybody at any time, because of the supposed necessities and exigencies of a war condition.

The war is over for all practical purposes, and consequently the Senator's argument can not or should not prevail at present, even if it was sound in principle, which I do not think is the case.

At first blush, it may be said that income derived from interest upon certain municipal securities should not be exempt from Federal taxes, but at first blush it is equally true that income derived from Federal securities should not be exempt from the State taxation. Every argument which may be urged in support of the one necessarily requires the sustaining of the other. The fundamental difference is the same in each instance. The securities are issued upon, and they are payable by, sovereignties which are entirely distinct from each other as to that exercise of power. If therefore we concede the capacity of the Federal Government to levy this tax, we admit the capacity of the States to levy a similar tax upon Federal securities.

The Senator emphasizes the proposition that there are some $5,000,000,000 invested in State and municipal securities, the interest upon which will be exempt from taxation unless this amendment carries.

Mr. President, some thirty-five to forty billion dollars are invested in Federal securities, which the State can not tax because the State did not issue the bonds or the securities in which this capital is invested. If the Government can withdraw $40,000,000,000 from the taxing power of the State, then a fortiori can the State withdraw $5,000,000,000 from the taxing powers of the Federal Government?

Mr. President, this proposition to my mind is so plain, in view of the many decisions of the Supreme Court upon the subject, that I can not for the life of me understand what the possible basis can be for the argument that we can impose this tax, except as the exercise of the war power, which as I said no longer exists, because the war has virtually ended. We have voted to reduce the tax for 1920 by $2,000,000,000, because, although a treaty of peace has not been formally made and ratified and we are still theoretically in a state of war, the emergencies and the necessities arising from the state of war disappeared with the armistice, except in so far as the maintenance of the Army and Navy is concerned.

Mr. President, I occupied the greater part of the day sometime last September in presenting reasons and authorities in support of the proposition that these securities were not taxable by Congress. The junior Senator from Minnesota [Mr. KELLOGG], in one of the most able addresses ever delivered on this floor, in reply to the junior Senator from Pennsylvania, emphasized and more than emphasized the soundness of that great constitutional proposition.

I had intended, Mr. President, if occasion required, to address myself to the argument of the Senator from Pennsylvania [Mr. KNOX], but in view of changed conditions and of what I regard as a complete reply by the Senator from Minnesota [Mr. KELLOGG], it is not necessary for me to do so. In looking into the subject, however, some time ago I encountered an expression, regarding the lack of this constitutional power, by Mr. Webster upon the floor of the Senate on May 28, 1832. I quote from the Congressional Globe of that date:

> The question being on the amendment offered by Mr. MOON of Alabama, promising, first, that the bank shall not establish or continue any office of discount or deposit or branch bank, in any State, without the consent and approbation of the State; second, that all such offices and branches shall be subject to taxation according to the amount of their loans and issues in like manner as other banks or other property shall be liable to taxation.
>
> Mr. Webster spoke as follows: "Now, sir, I doubt exceedingly our power to adopt this amendment, and I pray the deliberate consideration of the Senate in regard to this point."
>
> "In the first place let me ask what is the constitutional ground on which Congress created this corporation and on which we now propose to continue it? There is no express authority to create a bank or any other corporation given to us by the Constitution. The power is denied by implication. It has been exercised, and can be exercised only on the ground of a just necessity.
>
> It is to be maintained, if at all, on the allegation that the establishment of a national bank is a just and necessary means for carrying on the Government and executing the powers conferred on Congress by the Constitution. On this ground Congress has established this bank, and on this it is now proposed to be continued. It has already been judicially decided that Congress, having established a bank for these purposes, the Constitution prohibits the States from taxing it. Observe, sir, it is the Constitution, not the law, which lays this prohibition on the States. The charter of the bank does not declare that the States shall not tax it. It says not one word on that subject. The restraint is imposed not by Congress, but by a higher authority—the Constitution.
>
> Now, sir, I ask how we can relieve the States from this constitutional prohibition? It is true that this prohibition is not imposed in express terms, but it results from the general provisions of the Constitution and has been judicially decided to exist in full force. This is a protection, then, which the Constitution of the United States by its own force holds over this institution, which Congress has deemed necessary to be created in order to carry on the Government. So soon as Congress, exercising its own judgment, has chosen to create it can we throw off from this Government this constitutional protection? I think it clear we can not. We can not repeal the Constitution. We can not say that every power, every branch, every institution, and every law of this Government shall not have all the force, all the sanction, and all the protection which the Constitution gives it.

Mr. President, ever since this has been a subject of litigation the courts have recognized the reciprocal relations of the Federal Government and the States to each other with regard to the absence of power to levy taxes upon their respective securities. The very moment Congress has the power and is declared to have the power to tax the interest upon a municipal bond, that moment it is declared ex necessitate that the State may tax the securities of the Government of the United States. There is no escape from it. The two relations are inseparable; they are based upon the same reasons precisely; and no man can assail the exemption of State securities from the Federal power of taxation without assailing the exemption of Federal securities from the State power of taxation.

Mr. KING. The power of each to destroy the other.

Mr. THOMAS. The power of each to destroy the other is necessarily involved in the power of each to tax the agencies of the other. But for the purposes of my statement it is immaterial whether the thing to be taxed represents $5,000, $5,000,000,000, or $50,000,000,000; it is a principle which inheres in the very nature of our dual system of Government, in the very nature of the respective sovereignties of each, the Federal Government upon the one hand and the State governments upon the other. So believing, Mr. President, I trust that the action of the committee will be sustained by the Senate.

Mr. KELLOGG. Mr. President, I am not going to take the time at this late hour to again discuss the question of constitutional power, but I should like to call the attention of the Senate to what the amendment of the Senator from New Mexico [Mr. JONES] proposes to do. It proposes to tax the income on all State bonds heretofore issued, not only by the normal tax, but by the surtax.

The House provision simply taxed the income from State bonds hereafter to be issued, and it was no secret that the only object was to prevent the States from issuing bonds during the remainder of the war. No one pretended that with this tax any State would be able to issue and sell any bonds at a price for which the State would be willing to market its securities. Now, it is proposed to tax the incomes from all bonds which have been issued with the pledge of exemption from taxation.

What would the Senate think if it were proposed to tax the income from United States bonds that had been issued with that guarantee of exemption in them? We only apply the surtax to the income from liberty bonds which were issued with that condition placed in the bonds. It would be like the United States going back on its pledge in a bond issued 20 years ago that it should be exempt from taxation and that the income should be exempt, and repealing it and placing a tax upon the income of such bonds.

Mr. JONES of New Mexico. Mr. President, will the Senator from Minnesota yield to me?

Mr. KELLOGG. Yes; I yield.

Mr. JONES of New Mexico. I should like to inquire by what authority the bonds to which the Senator from Minnesota refers were exempted from taxation.

Mr. KELLOGG. The bonds were issued by the States under the conditions of the law placed in the bonds that they were exempt from taxation, and under a line of decisions of the Supreme Court of the United States from the earliest day to the present time, without any dissent, that State bonds could not be taxed by the Federal Government. That is the condition under which they were issued.

Mr. JONES of New Mexico. Does the Senator from Minnesota mean to leave the impression that the State, through its agreement that the bonds should not be subject to tax, would guarantee an exemption from Federal taxation?

Mr. KELLOGG. No, sir; I did not say anything of the kind. I said that when the bonds were issued it was the law of this country, as laid down by the Supreme Court of the United States, and it is so yet, that the Federal Government has no power to tax the securities. I said that those bonds, therefore, were issued under a pledge just as sacred as though it had been the pledge of the Federal Government.

Mr. JONES of New Mexico. May I ask the Senator if the Supreme Court has made any such decision since the adoption of the sixteenth amendment to the Constitution?

Mr. KELLOGG. It has; and it has construed the sixteenth amendment and decided what it meant, and has repeated and restated the proposition that State bonds could not be taxed. I wish to say further, that for a hundred years that has been the law of this country, and there is no decision of the Supreme Court to the contrary.

Mr. JONES of New Mexico. I should like to inquire——

Mr. THOMAS. If the Senator from New Mexico will pardon me for a moment, I desire to suggest that the Senator from Minnesota might have added that Mr. Justice Hughes, then a member of the Supreme Court, concurred in that opinion.

Mr. KELLOGG. He did.

Mr. THOMAS. Mr. Justice Hughes having been the man who, as governor of the State of New York, expressed some doubt as to whether or not this sixteenth amendment as drawn would not subject these identical securities to taxation.

Mr. KELLOGG. Mr. Justice Hughes had done so. He merely suggested to the Legislature of New York that the sixteenth amendment might authorize the taxation of State securities, but when the Legislature of the State of New York came to consider the speech of Senator BORAH, the opinion of Senator Root, and of many others, the Legislature of New York came to the conclusion that the sixteenth amendment was not adopted to authorize the Federal Government to tax State securities, and Justice Hughes became convinced that he was wrong in his suggestion, and he joined in the decision stating for what the sixteenth amendment was adopted and that State securities were so exempt.

Now, I hope that the war being over the Senate will not undertake to tax the States in the exercise of their borrowing power.

Mr. KNOX. Mr. President, this question is only an academic question to me now that the war is at an end. I take it that the war is at an end; I accept the statement of the President of the United States to that effect. The war is certainly at an end so far as any necessity exists for hunting up unusual sources of taxation for the prosecution of the war.

I have heard it stated on this floor frequently before to-day, I have read it from the pen of so distinguished a statesman as ex-President Taft, that this question had been settled practically in this country for the last 50 or 75 years. Mr. President, I venture to repeat the assertion that I made in the remarks which I submitted to the Senate some time ago upon this subject, that the question that I raised, namely, the right of the Federal Government to tax the income on State bonds in the hands of the holders during a defensive war, has never been decided by the Supreme Court of the United States, and has never been raised in that court. One writer has gone so far as to say of the House of Representatives and those of us in this body who thought that during the war we might tax incomes from State bonds in the hands of the holders that we were playing politics with a grave constitutional question. Abraham Lincoln signed a bill imposing such a tax during the Civil War; William McKinley signed a bill imposing such a tax, which was passed by both branches of Congress, during the Spanish-American War.

Mr. President, the nearest they can come to producing a case which they say rules that the Federal Government has no such power in time of war is the case of Collector against Day, and their argument there is predicated solely upon the fact that the law under which that tax was imposed was passed during the Civil War. Ergo, the Supreme Court having declared the law unconstitutional there was no right to impose the tax.

Now, let me call your attention to the facts in the case of Collector against Day. Day was a judge of probate in a county in Massachusetts. The tax was imposed by the act of 1864, and there is every probability, in fact, I think it is almost a certainty, as there was no litigation over the matter, that Day paid his tax in 1864 and in 1865 while the war was going on. The levy made in the Day case was for the tax of 1866–67, after the war had ceased to exist; and the Supreme Court of the United States held that that tax levied in 1866–67, during time of peace, was unconstitutional. I say again——

Mr. KING. Mr. President——

The PRESIDING OFFICER (Mr. ASHURST in the chair). Does the Senator from Pennsylvania yield to the Senator from Utah?

Mr. KNOX. I do.

Mr. KING. I dislike to interrupt the Senator in his splendid address, but the thought suggested itself, as the Senator was submitting his observations, what difference there would be in levying a tax during war times upon State securities for the purpose of meeting the current expenses of the war and levying a tax after the war was over for the purpose of meeting expenses that were contracted during the period of the war?

Mr. KNOX. Mr. President, if the Senator will do me the honor of reading the remarks I made, and which were carefully thought out at the time—I remember the Senator was not present, and I do not believe he has read them—he will find that I put my argument upon this ground—and it does seem a shame to take the time of the Senate to discuss this matter, because I think it is entirely academic; it is certainly so from my point of view, the war now having ceased—I put it upon the ground that the Constitution of the United States imposed upon the Federal Government all of the obligations to carry on war to defend the States and to preserve to them a republican form of government. It not only does that, but it denies those powers to the States themselves; so that during war there is imposed upon the Federal Government the duty to take care of the States, and the States themselves are excluded from the field. I say, while that situation lasts no wealth of the country is exempt from the power of Congress to reach out and tax it for the purpose of the common defense.

I have only just one word more to say, and that is in reply to the very positive statement made by the Senator from Colorado [Mr. THOMAS], that if the right of the Federal Government to tax the bonds of the States exists, the corresponding or reciprocal right of the States to tax the bonds of the Federal Government exists. There is no foundation for that claim. Under my contention the power only exists during time of war, because the Federal Government owes the obligation to the States during war to defend them; hence the power to tax; but the States owe no obligation to the Federal Government in respect to war, and therefore have no power to tax Federal securities, if the power to tax rests, as I contend, upon the existence of war and the necessities of defense.

Mr. THOMAS. Mr. President, it is true, as the Senator from Pennsylvania [Mr. KNOX] has stated, that the Supreme Court has not in terms ever decided that a tax such as is here under discussion, laid during times of war, could not be sustained as an exercise of a war power; but it is equally true that in every instance of which I am aware, where the question has been squarely presented to that court, it has denied to the Congress the constitutional power of such taxation. The case of Collector against Day arose under a provision of the law subjecting the salaries of State officers to Federal taxation, enacted during the period of the Civil War. The decision succeeded the war, but it was based upon the exercise of the taxing power in time of war. If it be true that in times of war constitutional restrictions upon our power of taxation are removed, it is surprising that the tax was not there defended upon that ground.

I have been unable to find a single authority, either in the reported cases or in the opinions of lawyers of eminence, in which the exercise of this power or the right to exercise it was recognized or approved, excepting, of course, where the doubt as to the probable effect of the sixteenth amendment, expressed by Gov. Hughes and the speech of the distinguished Senator from Pennsylvania a month or so ago, in which he contended that a tax of this sort was justified by war conditions, and which now, he says, is academic. I thought then, Mr. President—and I have not changed my opinion—that the Senator proved entirely too much, because if it be true that the Federal Government in times of war may levy an income tax upon sources of income which but for the war would be exempt from such tax, then it is equally true that in times of war Congress may levy taxes notwithstanding express limitations and restrictions of the Constitution.

No direct tax except an income tax can be levied unless upon the basis of population. There are many taxes other than income taxes, of course, which the Government can not lay because of constitutional prohibitions, but which it may lay, if the Senator be correct, in time of war, without any reference to these limitations. For example, it may levy a tax upon real estate, which would be a direct tax, not because the Constitution or the decisions permit it, but because the urgent needs of war conditions demand it.

Mr. President, I am willing to go as far as any man in recognizing the vast extent of the war powers of this Republic when the exigencies of war require it, but I am not willing to concede that the power of taxation extends so far as that during the war every limitation can be swept aside and taxes imposed as Congress may see fit. I fear that if this restric-

tion is ever broken down the flood of taxation imposed by the States upon Federal securities may overwhelm them and may reach so far as to affect the integrity of the Nation itself.

Mr. BORAH. Mr. President, whatever there may be in the contention of the able Senator from Pennsylvania [Mr. KNOX] as to the power of the Government to levy this tax in time of war, a defensive war, as he says, as I understand, according to the contention of the Senator himself, that does not apply at this time; that principle would have no application under the conditions in which we are now seeking to legislate. As he has said, that proposition is academic. I do not desire to discuss it or express any opinion upon it in view of the fact that it has no application at this time. If I were compelled to pass upon it, I would be, as now advised, unable to accept his view. That being out of the discussion, I do not suppose that there is any question more thoroughly settled by the decisions of our Supreme Court than the proposition that the National Government can not levy a tax upon the agents or instrumentalities of the State governments. Unless the exception which the Senator from Pennsylvania mentions be well taken, there is no exception to the rule of which I know.

It was decided early in the history of the court; it has been repeated a number of times, and since the adoption of the sixteenth amendment it has been reiterated; it is a thoroughly well settled principle of the court as the decisions now stand, and I entertain no doubt at all that this tax if levied would be held unconstitutional by the Supreme Court.

There is a question involved, Mr. President, aside from that merely of raising taxes, a principle which goes deeper and reaches further than the mere question of raising a certain amount of revenue. It involves the structure of the Government, because, as Marshall said, the power to tax is the power to destroy, and if we may tax some instrumentalities and agencies of the State, we may tax them all, and the State becomes no longer a sovereign power, which it is necessary for it to remain if we are to be a Federal Union, but merely a geographical expression of the Government to be taxed at our will and our wish. I am opposed, therefore, to the proposition to tax State securities.

Mr. UNDERWOOD. Mr. President, I concur in what has been said in opposition to the levying of a tax on the instrumentalities of the States. I believe that the decisions of the court have clearly defined the line where the Congress of the United States must stop in the power to levy taxation, unless we intend to destroy the integrity of the State governments. But those questions have already been discussed, and I did not rise for the purpose of repeating what has already been said. I wish to say, however, that there is another reason, in my judgment, outside of the constitutional argument why this tax should not be levied.

When it was first proposed that a tax should be levied upon the bonds and securities of the States and municipalities, it came with the argument that it was necessary to levy a tax on these instrumentalities in order to secure a reservoir in which the liberty bonds could be sold, because if State securities were untaxed and the Federal Government's securities were taxed, to a certain extent it gave preference in the financial market to the State securities. Under those circumstances Congress still upheld the constitutional privilege of the States and refused to levy the tax.

Now the war is over. The Government securities are sold, except possibly one issue, which no one doubts the capacity of the country to absorb, and the result of a tax on State securities would not be to affect the Government of the United States; but if we levy such a tax now, the result of that tax would be to make a better market for industrial and railroad securities, which must bear the tax now. Idle money hunting investment at somewhere near the same rate of interest will naturally flow into the channels of State and municipal securities rather than into industrial and railroad securities.

It is not that we need the money, because the Senate has already agreed to reduce this bill $2,000,000,000 for 1920. It is not proposed to put a tax on State securities for the purpose of getting more money, because we have already found a verdict on that question, and said we do not need any more money. If we should conclude to tax these State securities, our action would have a tendency to bring the State securities down to the plane of the industrial and railroad securities and let them have equal competition in the money markets of the world.

So far as I am concerned, I believe that it is necessary, in order to maintain the integrity of the State government, that its securities should not be taxed by the National Government; but I also believe that it is the wise part of governmental action that we should continue to leave the State and county and municipal securities on the basis they are on to-day and give them a preference in the money markets of the world. The great industrial and railroad plants have their agents and their business connections to sell their securities throughout the money markets of the world. It is often difficult for a State or a municipality to accomplish that result at a reasonable price; and I think it is clearly in the interest of the people who live within the States and the counties and the municipalities of this country that their bonds should have the right of this preference in the market.

Outside of any constitutional question at all, I think it is a good public policy that the present status should be maintained, and for that reason I think the amendment should be defeated.

The PRESIDING OFFICER. The question is on the amendment to the amendment.

The amendment to the amendment was rejected.

The PRESIDING OFFICER. The question now is on the amendment of the committee.

The amendment of the committee was agreed to.

Mr. BRANDEGEE. Mr. President, I send to the desk an amendment which I ask the Secretary to state.

The PRESIDING OFFICER. The amendment will be stated.

Mr. BRANDEGEE. I understand that all of the committee amendments have been acted upon.

Mr. SIMMONS. No; the committee amendments have not all been agreed to yet. The action of the Senate a few minutes ago makes certain formal amendments necessary.

Mr. BRANDEGEE. The Senator stated awhile ago that the amendments had all been acted upon. This one will take but a minute, and I may as well proceed with it, if the Senator will allow me.

The PRESIDING OFFICER. The Secretary will state the amendment of the Senator from Connecticut.

The SECRETARY. On page 197, line 3, it is proposed to strike out the semicolon after the words "motor boats" and insert the words "not used exclusively for trade, fishing, or national defense."

Mr. BRANDEGEE. Mr. President, I want to explain that amendment.

Mr. SIMMONS. I accept the amendment.

Mr. BRANDEGEE. If the Senator will accept it, very well.

The PRESIDING OFFICER. The question is on the amendment of the Senator from Connecticut.

The amendment was agreed to.

Mr. SIMMONS. Mr. President, I will ask the Secretary if there are any other amendments.

The SECRETARY. The last amendment passed over was passed over at the request of the junior Senator from Missouri [Mr. SPENCER], on page 197, lines 1 and 2. The committee amendment reads as follows:

(18) Articles made out of any fur, or articles of which fur is the component material of chief value, 10 per cent.

The Senator from Missouri proposes to strike out the figures "10" and to substitute therefor the figure "5."

Mr. SPENCER. Mr. President, the purpose of this amendment is to correct what seems to be an inequality between the tax on jewelry, including pearls and precious stones, and the tax on furs. The Senate has agreed, in regard to jewelry, to a reduction of the tax from 10 to 5 per cent. The tax on furs remains 10 per cent. Jewelry has no wearing utility. It can not be used for apparel. It is difficult to understand why furs, which have a utility as clothing, should be taxed at a higher rate than jewelry, which has no such utility. The purpose of this change is to reduce the tax on furs from 10 per cent to 5 per cent, making it the same as the tax upon jewelry.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from Missouri to the amendment of the committee. [Putting the question.] By the sound the ayes appear to have it.

Mr. THOMAS. I call for a division, Mr. President.

On a division, the amendment to the amendment was rejected.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment.

The amendment of the committee was agreed to.

Mr. SIMMONS. Mr. President, it is necessary, since the action of the Senate with respect to these 20 per cent taxes, to make a number of pro forma amendments in various sections of the bill. I send the amendments to the desk and ask to have them stated.

The PRESIDING OFFICER. The amendments will be stated.

The SECRETARY. On page 198, line 24, after the word "or," strike out "905" and insert "906."

The amendment was agreed to.

The SECRETARY. On page 199, line 13, strike out "905" and insert "904."

The amendment was agreed to.

The SECRETARY. On page 199, line 13, strike out "November 1, 1918," and insert "May 1, 1919."

The amendment was agreed to.

The SECRETARY. On page 201, line 19, after the word "apply," insert "(1)."

The amendment was agreed to.

The SECRETARY. On page 201, line 23, after the comma, insert "or (2) to any article made out of fur or of which fur is the component material of chief value," and a comma.

The amendment was agreed to.

The SECRETARY. On line 23, after the word "or," insert "(3)."

The amendment was agreed to.

The SECRETARY. On line 24, strike out "(20)" or "(21)" and insert "(16)" or "(17)."

The amendment was agreed to.

The SECRETARY. On page 202, line 8, strike out "904" and insert "905."

The amendment was agreed to.

The SECRETARY. On page 204, line 7, strike out "905" and insert "906."

The amendment was agreed to.

The SECRETARY. On page 205, line 3, strike out "906" and insert "907."

The amendment was agreed to.

Mr. LENROOT. Mr. President, when section 905 was under consideration, the question was upon the motion to strike out. I had intended then to offer an amendment reducing the rate from 20 to 10 per cent; but in order to expedite the passage of the bill I did not offer it at that time, because if the committee had been sustained the section would have gone out. Inasmuch as the committee has not been sustained, I now move to reconsider that vote, in order that this amendment may be proposed.

Mr. SIMMONS. I have no objection to that being done.

The PRESIDING OFFICER. Without objection, the motion to reconsider will be deemed carried.

Mr. LODGE. Mr. President, one moment. I will suggest to the Senator from Wisconsin that there is no use in reconsidering it, because now the tax provided in the House bill stands in the Senate bill.

Mr. LENROOT. But not in the committee amendment.

Mr. LODGE. No; not in the committee amendment. That is all right, then.

Mr. LENROOT. I ask to have the amendment stated.

The PRESIDING OFFICER. The Secretary will state the amendment.

The SECRETARY. On page 199, line 15, it is proposed to strike out the numeral "20" and insert "10," so that it will read:

A tax equivalent to 10 per cent of so much of the amount,

And so forth.

Mr. LENROOT. Mr. President, I have just a word to say in support of that. Upon these other luxuries——

Mr. SIMMONS. Mr. President, I will accept that amendment.

Mr. LENROOT. Very well.

Mr. McCUMBER. Mr. President, I do not accept it. I want to say one word upon the amendment, and not allow it to go through by mere acceptance.

I have no objection to the tax being reduced from 20 to 10 per cent, or from 10 per cent to nothing; but I think there are three of these items that ought to be stricken out entirely, and I want an opportunity at least to offer to amend the amendment of the Senator from Wisconsin so as to strike out that which relates simply to clothing. I do not care for hats, or for any of these articles such as fans, umbrellas, purses, and so forth; but I do think that provisions 11, 12, and 13, which relate to men's and boys' suits or overcoats, and women's and misses' suits, cloaks, and coats, and women's and misses' dresses, ought to be stricken out entirely, leaving the others to stand.

Mr. LENROOT. Mr. President, will the Senator yield?

Mr. McCUMBER. Yes.

Mr. LENROOT. The adoption of this amendment will not in any way interfere with the Senator's proposed amendment.

Mr. McCUMBER. Mr. President, I am not certain whether or not it would be subject to further amendment in the Committee of the Whole if that amendment should be adopted. If the Chair rules that after the adoption of this amendment, reducing the tax from 20 to 10 per cent, we can still move to strike out those three sections, I will leave it in that way.

The PRESIDING OFFICER. The Senator from North Dakota would still have the right to offer any amendment he saw fit after this was adopted or rejected.

Mr. McCUMBER. Very well.

The PRESIDING OFFICER. The question is on the amendment proposed by the Senator from Wisconsin.

Mr. KIRBY. I call for the yeas and nays.

The yeas and nays were not ordered.

The PRESIDING OFFICER. The question is on the amendment proposed by the Senator from Wisconsin. [Putting the question.] By the sound, the noes appear to have it.

Mr. LENROOT. I call for a division.

Mr. SMOOT. Mr. President, I ask to have the amendment stated.

The PRESIDING OFFICER. The Secretary will state the amendment.

The SECRETARY. On page 199, line 15, it is proposed to strike out "20" and insert "10," so that it will read:

SEC. 905. (a) That on and after November 1, 1918, there shall be levied, assessed, collected, and paid a tax equivalent to 10 per cent—

And so forth.

Mr. SMOOT. Mr. President, I ask for a division upon that.

On a division the amendment was agreed to.

Mr. LA FOLLETTE. Now, let us have the yeas and nays. Let us try for it once more.

The PRESIDING OFFICER. The Senator from Wisconsin asks for the yeas and nays. Is the call sustained?

The yeas and nays were not ordered.

Mr. GRONNA. Mr. President, may I ask, for information, how many were voting? I believe the call was sustained. May I have the tally?

The PRESIDING OFFICER. The call for the yeas and nays was seconded by eight Senators.

Mr. GRONNA. The rule provides for one-fifth of those present, Mr. President; and——

The PRESIDING OFFICER. The Chair has ruled, and there can not be anything further to it.

CAMPAIGN CONTRIBUTIONS.

Mr. THOMAS. Mr. President, I offer the amendment which I send to the desk.

The PRESIDING OFFICER. The Senator from Colorado offers an amendment, which will be stated.

The SECRETARY. At the end of Title II it is proposed to add a new section, as follows:

SEC. 261. That there shall be levied, assessed, collected, and paid in respect of the excess over the sum of $500 which any person, firm, or corporation shall give, advance, pay, expend, subscribe, or contribute in the aggregate during any taxable year for the purpose, directly or indirectly, of influencing the nomination or defeat of any candidate or candidates for nomination, or the election or defeat of any candidate or candidates for office, or the success or defeat of any proposition to be voted upon at any primary election or general or special election at which candidates for Members of the House of Representatives or for United States Senator or presidential electors are to be nominated or elected, a tax equal to 100 per cent of such excess; such expenditures or contributions to include all sums in any form contributed, subscribed, advanced, expended, paid, or given to or for such candidate or candidates or to or for party or other political committees or campaign funds, but not to include expenditures made by such candidates or regular political committees or out of such campaign funds of moneys lawfully contributed to them.

Every person required by this title to make a return shall state therein specifically each item and the date thereof of all gifts, advances, expenditures, subscriptions, payments, and contributions made, and to whom, for the purpose of influencing the result of such primary and general elections, and of all taxes due thereon under the provisions of this section. And the treasurer or chairman of all State or congressional committees and of all political committees as defined in the act of Congress approved June 25, 1910, entitled "An act providing for publicity of contributions made for the purpose of influencing elections at which Representatives in Congress are elected," and of all associations or committees organized to promote or prevent the nomination or election of any candidate for Member of the House of Representatives or of the Senate of the Congress of the United States or for presidential elector or electors, shall within 30 days after the passage of this act, and thereafter within 30 days after any election to be held therefore file with the collector for the district where the headquarters or other office where such committee or association is located a return stating specifically all sums of money received, from whom received, and the date thereof. Such return shall be verified by the chairman or treasurer of such committee or association.

Mr. THOMAS. Mr. President, I offered this amendment in the committee, and reserved the right to present it to the Senate at the time of its rejection, while the committee was in session.

The amendment proposes a tax of 100 per cent upon all contributions in excess of the sum of $500 to elections at which any Federal officer is to be elected or nominated, excepting, however, candidates who are permitted by Federal or State law to make greater contributions, and provides methods for ascertaining and assessing the amount of the tax.

Mr. President, my purpose in offering this amendment is not to raise revenue so much as it is an attempt to make our present corrupt-practices act effective. The States and the Nation have sought, by restrictive acts, to limit the expenditure of money at elections and primary elections to a decent and rea-

sonable amount. These statutes, if my experience is any guide, have been honored far more in the breach than in the observance. There is no statute of the sort of which I am aware, through which coaches and fours have not been driven and about which there is any sort of regard or observance. The last election in some States of the Union was scandalized by the expenditure of enormous sums of money, my own State amoung the number, where the report filed under the State law by the Republican chairman shows an expenditure of $127,000, and the report of the Democratic committee an expenditure of $38,000, which means that perhaps two and a half to three or four times that amount of money was actually used for the purpose of influencing the election.

In the State of Michigan it is a matter of record that nearly $200,000 was expended in the interest of one candidate at the primary election in the interest of his nomination. The amounts of money which are said to have been expended in West Virginia in behalf of both the candidates are far in excess of the statutory limitation, and the probabilities are that these things will have been done with impunity.

Now, I have a belief, which may or may not be well founded, that a man who will violate the law for the purpose of securing his nomination and election to a public position will violate the law after he fills that position. This may be an extravagant view, but I can perceive no difference in principle between the violation of a restrictive statute before and the violation of some other statute after an election. Perhaps by requiring gentlemen who are so liberal with their money in campaigns to contribute to the Treasury of the United States an equivalent in the way of taxation over and above this allowance of $500, which is ample, we may or may not produce the desired result. It certainly will have the effect of obtaining sworn statements both from committees and from contributors, official in character, upon which we will be able to ascertain something about this very important subject.

The PRESIDING OFFICER. The question is on the amendment of the Senator from Colorado. [Putting the question.] By the sound the "ayes" seem to have it.

Mr. PENROSE. I call for a division, Mr. President.

On a division, the amendment was agreed to.

Mr. LODGE. I ask for a roll call, Mr. President.

The PRESIDING OFFICER. The Senator from Massachusetts calls for the yeas and nays. Is the call sustained?

The yeas and nays were ordered, and the Secretary proceeded to call the roll.

Mr. FLETCHER (when his name was called). I have a general pair with the junior Senator from Massachusetts [Mr. WEEKS]. In his absence, I withhold my vote.

Mr. JONES of Washington (when his name was called). As announced before, I am paired with the senior Senator from Louisiana [Mr. RANSDELL]. If I were at liberty to vote, I should vote "yea."

Mr. NEW (when his name was called). I have a pair with the junior Senator from Louisiana [Mr. GAY]. I transfer that pair to the senior Senator from New Jersey [Mr. FRELINGHUYSEN] and vote "nay."

Mr. STERLING (when his name was called). Repeating the announcement of my pair with the senior Senator from South Carolina [Mr. SMITH], I withhold my vote.

Mr. TOWNSEND (when his name was called). I again announce my general pair with the senior Senator from Arkansas [Mr. ROBINSON] and withhold my vote.

Mr. WOLCOTT (when his name was called). I have a pair with the senior Senator from Indiana [Mr. WATSON]. In his absence, I am not at liberty to vote. I have tried to secure a transfer of my pair, and have been unable to do so. If at liberty to vote, I should vote "yea."

The roll call was concluded.

Mr. GERRY. I have a general pair with the junior Senator from New York [Mr. CALDER]. I transfer that pair to the senior Senator from Nevada [Mr. PITTMAN] and vote "nay."

Mr. KENDRICK. I transfer my pair with the Senator from New Mexico [Mr. FALL] to the Senator from Montana [Mr. WALSH] and vote "yea."

Mr. MYERS. I have a pair with the Senator from Connecticut [Mr. MCLEAN], who is not present. In his absence, not knowing how he would vote if present, and being unable to obtain a transfer, I withhold my vote.

Mr. SAULSBURY. I transfer my general pair with the senior Senator from Rhode Island [Mr. COLT] to the senior Senator from Texas [Mr. CULBERSON] and vote "yea."

Mr. SMOOT. I desire to announce the unavoidable absence, on account of illness, of the junior Senator from Kansas [Mr. CURTIS]. He is paired with the junior Senator from Georgia [Mr. HARDWICK].

Mr. BRANDEGEE. I am paired with the senior Senator from Tennessee [Mr. SHIELDS]. I transfer that pair to the junior Senator from New Jersey [Mr. BAIRD] and vote "nay."

Mr. MYERS. I transfer my pair with the Senator from Connecticut [Mr. MCLEAN] to the Senator from Arizona [Mr. SMITH] and vote "yea."

Mr. LODGE. I have been requested to announce the following pairs:

The Senator from West Virginia [Mr. GOFF] with the Senator from Oklahoma [Mr. OWEN];

The Senator from Illinois [Mr. SHERMAN] with the Senator from Kansas [Mr. THOMPSON];

The Senator from Michigan [Mr. SMITH] with the Senator from Missouri [Mr. REED]; and

The Senator from New York [Mr. WADSWORTH] with the Senator from New Hampshire [Mr. HOLLIS].

The result was announced—yeas 34, nays 28, as follows:

YEAS—34.

Ashurst	Johnson, S. Dak.	McNary	Saulsbury
Beckham	Jones, N. Mex.	Myers	Shafroth
Borah	Kendrick	Nelson	Sheppard
Chamberlain	Kenyon	Norris	Thomas
Cummins	Kirby	Nugent	Trammell
Gronna	La Follette	Overman	Vardaman
Henderson	Lenroot	Phelan	Williams
Hitchcock	Lewis	Pollock	
Johnson, Cal.	McKellar	Pomerene	

NAYS—28.

Bankhead	Hale	Martin, Ky.	Smith, Ga.
Brandegee	Harding	Martin, Va.	Smith, Md.
Dillingham	Kellogg	Moses	Smoot
Fernald	King	New	Spencer
France	Knox	Penrose	Sutherland
Gerry	Lodge	Poindexter	Swanson
Gore	McCumber	Simmons	Warren

NOT VOTING—34.

Baird	Goff	Reed	Townsend
Calder	Hardwick	Robinson	Underwood
Colt	Hollis	Sherman	Wadsworth
Culberson	Jones, Wash.	Shields	Walsh
Curtis	McLean	Smith, Ariz.	Watson
Fall	Owen	Smith, Mich.	Weeks
Fletcher	Page	Smith, S. C.	Wolcott
Frelinghuysen	Pittman	Sterling	
Gay	Ransdell	Thompson	

So Mr. THOMAS's amendment was agreed to.

Mr. JOHNSON of South Dakota. Mr. President, I understand that the committee amendment on page 193 was passed during my absence from the Chamber. I now desire to offer an amendment to it. On page 193, line 18, I move to strike out "automobile wagons, automobile trailers, or tractors" and the comma.

The VICE PRESIDENT. The question is on the amendment proposed by the Senator from South Dakota.

Mr. JOHNSON of South Dakota. Mr. President, I had expected to discuss this at some length, but owing to our condition here and at the request of the Senator from Virginia [Mr. MARTIN], I shall take only a very few minutes.

I wish to call attention first to the importance of this machinery to agricultural communities. As no doubt all Senators know, the automobile tractor is a great plow. It prepares the ground for the crops. Without its use the farmer would not be able to prepare over one-half of the ground for crops that he can with the tractor. The automobile wagon is a wagon that the dairymen and farmers and all who produce carry the productions of the farm and the dairy to the towns. The automobile trailer is a small trailer that is hooked on behind the automobile, which enables the farmer to take a small load to or from town with his automobile.

Mr. President, I appreciate the great work that the committee has done. I know they have done their best, and they should have our commendation, but if there is one mistake that has been made in this whole bill it is this direct tax at production by taxing that which is necessary for production. A tractor will put in just about as much crop or prepare the ground for the crop as 12 horses can. The trailer and automobile wagon are equally potent for the purpose of moving these productions of the land to market.

I just want to say this, and then I will leave it for your consideration. There is only one thing in all this country that is actually a necessity of life, and that is bread. You might just as well tax the farmer's horses and his wagons, his harness, and his machinery and seed as to tax the instruments of procuring and furnishing his crop for market. This tax of all the taxes in the bill is the worst. It is an excise tax. It is nothing more nor less than a license. It says to the manufacturer of these products, you may sell the products, the necessities of which are apparent to the farmer, providing you will charge a certain price, and every farmer in the United States who has to buy a tractor will have to pay in the neighborhood

of $200 tax, in addition to all the other taxes, if this 5 per cent excess tax remains in the bill, and the automobiles, wagons, and trucks in the same proportion to cost.

This bill contains some peculiar legislation. There is one provision in the bill, as I see it, which does nothing but grant a subsidy to the Curtis Publishing Co. and concerns of like character of many millions of dollars. Then you turn right around and tax the real necessities of the country with this excise tax on things that help produce the bread of the country.

Mr. President, I do not intend to take up the time of this body. I only want to call the attention of Senators to the importance of eliminating these items from the bill in order that they may not stop a certain per cent of the production of the country all over the land.

Mr. TOWNSEND. Mr. President, I had intended to propose an amendment to this part of the bill, and I had hoped when the Senator from South Dakota rose that he would include all that ought to be included in his amendment. He can make no special plea for farmers on account of tractors under this section which does not apply to men engaged in other occupations. This class of taxes under the excise taxes is levied because they are supposed to be luxuries. You will notice in looking over the list that in it are included all sporting goods, bowie knives, cameras, firearms, shells, dirk knives—all things which are supposed to be luxuries—but I submit, Mr. President, that, in my judgment, no one will contend that automobiles and automobile trucks are luxuries. I submit no one will contend, it seems to me, that automobiles and automobile trucks are any more luxuries than automobile wagons or tractors. The automobile truck certainly has come to be an absolute necessity in this country.

The producers of them are taxed under the income-tax law in the excess-profits clause. Why, then, there should be a special tax levied because they are luxuries is more than I can understand.

I made this point before the committee, and said then inasmuch as we were striking out certain other taxes on automobiles if it were necessary for the Government to have the money, if we must have money as a war necessity, I would urge no further objection to it. But that time has passed. We have already written into the bill the amendment of the Senator from Iowa, a provision taxing alleged luxuries further on which will more than compensate any loss of revenue which might occur from leaving out this tax on actual necessities. I trust the Senator from South Dakota will agree with me that the subdivisions 1 and 3, on page 194, should go out of the bill. They are quite as much necessities as the item to which the Senator from South Dakota has called special attention. There would be no embarrassment to the Government revenue if they were stricken out. I believe all will agree that at this time when many of these concerns have been hard hit by the war, and they are now just readjusting themselves to the peace basis, those particular items should be eliminated from the special tax—the luxury tax, as some have seen fit to call it—because they are not luxuries. I ask the Senator if he will not be willing to modify his amendment so as to strike out, first, paragraph 1—the whole of it—and, second, paragraph No. 3, on page 194.

Mr. JOHNSON of South Dakota. Answering the Senator from Michigan in regard to luxuries, I do not see how he can get the idea that an automobile tractor or automobile wagon is a luxury. They can possibly be used for but one general purpose. However, if my amendment to the committee amendment which is printed there is included the automobile trucks would go out, too.

Mr. TOWNSEND. I was not contending that the tractor was a luxury. I say it is no more of a luxury, however, and no less so than the automobile truck, and most of the automobiles that are used in this country are quite as essential to the western farmer as possibly the tractor itself in many respects. I am asking simply that all these articles be eliminated from the bill.

Mr. JOHNSON of South Dakota. I will accept the amendment to the amendment as to automobile trucks, but I would not accept the amendment as to automobiles and motorcycles, because I figure that they are to some degree a luxury.

Mr. TOWNSEND. If the Senator will include automobile trucks we can vote on that, and I will offer the other amendment later.

Mr. SMITH of Georgia. Mr. President, as the bill came from the House there was a tax on gasoline. There was a tax per horsepower upon each user of an automobile. There was a tax provided by the two paragraphs on automobiles, automobile trucks, tractors, and so forth.

The provision on the next page covers the tax on inner tubes, parts, accessories, and so forth. We struck out the gasoline tax. We struck from the bill the tax on users of automobiles, so much per horsepower. We cut out two-thirds of the tax which the House provided with reference to automobiles and the gasoline required to operate automobiles, and we have reduced one-half the tax on accessories.

From the tax on automobiles, motorcycles, automobile trucks, and automobile wagons we expected to raise about $70,000,000. From the tax as levied on the next page referred to by the Senator from Michigan [Mr. TOWNSEND] we expected to raise about $15,000,000. So you have $85,000,000 in these two items which the Senator from Michigan desires to have stricken out. The tax on automobile trucks, automobile wagons, automobile trailers, and so forth, is expected to raise about $30,000,000.

Mr. JOHNSON of South Dakota. The information that I have—and I think it is authoritative—states that we would raise about $18,500,000 on those four items.

Mr. SMITH of Georgia. I give my figures from the tax experts who have cooperated with us in working upon the bill. They have just given me again their estimate as to this part of the bill, and I repeat it as they furnished it to me.

I am not anxious to levy a tax on anything. We went as far as we felt justified in going in reducing this branch of taxation, as provided in the bill as passed by the House, and it is for the Senate to say what it will do. The committee reached the conclusion that they had removed the burden incident to this tax at the place where it was best to remove it, and left it in connection with manufacturing production, reducing one-half even, as to manufacturing production, the accessories.

Mr. MYERS. Mr. President, I should like to call the attention of the Senator from Georgia, who has just been speaking, to lines 20 and 21, on page 193 of the bill, which read, "including tires, inner tubes, parts" of automobiles, and so forth. That was all stricken out by the committee, was it not?

Mr. SMITH of Georgia. Clause 2 was stricken out; the words "automobiles, motorcycles, automobile" were included in paragraph 2, and the tax was reduced from 10 to 5 per cent on automobiles, motorcycles, and so forth. We reduced one-half of the tax on that portion of those vehicles.

Mr. TOWNSEND. May I ask the Senator from South Dakota [Mr. JOHNSON] if he included in his amendment automobile trucks?

Mr. JOHNSON of South Dakota. No; I merely included automobile tractors, automobile trailers, and automobile wagons. That was my original amendment.

Mr. TOWNSEND. I understood the Senator from South Dakota to say that he would include automobile trucks in his amendment.

Mr. JOHNSON of South Dakota. I stated, or intended to state, that the Senator from Michigan could move to amend the amendment by inserting those words. I do not, however, know that I would have any objection to accepting that modification of my amendment.

Mr. SMITH of Georgia. I understood the Senator from South Dakota to say that he did include those, but would not include the balance. I understood him as did the Senator from Michigan [Mr. TOWNSEND].

Mr. TOWNSEND. I so understood the Senator.

Mr. SMITH of Georgia. Therefore I presented the figures as to the reduction of the tax on the class of vehicles which I understood the Senator from South Dakota desired to cover by his amendment.

Mr. JOHNSON of South Dakota. I will accept the amendment to include automobile trucks, but not the balance of the section. That is left in.

Mr. TOWNSEND. That is what I understood the Senator to say.

Mr. JOHNSON of South Dakota. I will agree to insert "automobile trucks, automobile wagons, trailers, and tractors."

Mr. SMOOT. Mr. President, I can not see why there should not be a tax upon automobile trucks. There is nothing destroys the roads of the country as do automobile trucks. There has got to be some change either in the building of roads or in the weight of trucks, or else the cost of the maintenance of the roads in this country will be so great that communities can not stand the expense. The committee decided that automobile trucks should at least pay a 5 per cent tax on the sale price of the truck, and I thought the committee had gone very far, indeed, if we are going to impose any tax upon the manufacture of any articles in the United States when they reduced the tax imposed upon automobiles and motorcycles from 10 per cent to 5 per cent.

We eliminated the tax upon gasoline for the motorcycle, the automobile, the automobile truck, and all tractors that must of necessity use gasoline. The House proposed to impose a tax of 2 cents per gallon upon gasoline; and that would have amounted to more than any tax which the Senate committee has proposed to impose under this provision. Not only that, but there was

imposed a tax for the use of automobiles, and the committee thought they would eliminate that tax entirely; so that all the tax that is proposed to be imposed by the Senate Committee on Finance is the tax of 5 per cent upon automobiles, motorcycles, automobile trucks, automobile wagons, automobile trailers, and tractors. If we are going to have any tax at all, it seems to me that we ought to adhere to the 5 per cent tax, and especially so when we take into consideration the elimination of the taxes which the House imposed upon this industry. I sincerely hope that the Senate will at least sustain the committee in the imposition of this tax.

Mr. TOWNSEND. Mr. President, I see now a new reason for taxing automobile trucks. The Senator from Utah [Mr. SMOOT] says that they destroy the roads, and therefore we should turn this money over to the Federal Government which will never reach the roads and which will not in any manner affect the roads nor maintain them. I did not suppose that this tax was proposed to be put on as a penalty. I supposed that the only reason that we put the tax on was because we regarded these vehicles as luxuries. There is no other reason that can be urged for putting a tax on this class of articles, except that they are luxuries.

Mr. POINDEXTER. A truck a luxury?

Mr. TOWNSEND. An automobile truck. That is clearly not true. Automobile trucks are not luxuries; they are just as much necessities as is the ordinary wagon, the ordinary buggy, or any other vehicle which the farmer, the business man, or the truckman on the streets of any city uses. So, although we may have proposed to reduce the tax on gasoline, that does not in the least affect the tax.

As I said to the committee, if the Government needs the money and you are proposing to tax things of this kind, I will vote for it. I am perfectly willing to put the tax on; but the Government does not need the money. You have already voted into this bill to-day items variously estimated at over $187,000,000 more than the bill provided for when it came here. That being true, it seems to me clear that we should eliminate from the bill the tax on these necessities. The senior Senator from Massachusetts [Mr. LODGE] says that in cutting the taxes we have reduced the luxury taxes, so called, to a loss of $90,000,000 of revenue; but that more than compensates for the loss that comes from these few items of actual necessity to the people of the United States.

The VICE PRESIDENT. Now, there is an involved parliamentary situation existing here. The Senate, as in Committee of the Whole, has already adopted an amendment to strike out the word "automobile" and to insert "automobiles, motorcycles, automobile." That amendment having been agreed to, it will have to be reconsidered and the amendment rejected. Then an amendment agreed to striking out the word "automobile" and inserting the words "automobile and motorcycles," and then striking out line 19. The Chair suggests that the vote be taken, and if the amendment carries the Secretary will make up the record accordingly.

Mr. JOHNSON of South Dakota. I ask for the yeas and nays on the amendment to the amendment.

The yeas and nays were ordered, and the Secretary proceeded to call the roll.

Mr. JONES of Washington (when his name was called). As heretofore announced, I am paired with the senior Senator from Louisiana [Mr. RANSDELL]. Therefore I withhold my vote.

Mr. KENDRICK (when his name was called). Making the same announcement as to my pair and its transfer as heretofore, I vote "yea."

Mr. NEW (when his name was called). Again announcing my pair with the junior Senator from Louisiana [Mr. GAY], in his absence I withhold my vote.

Mr. STERLING (when his name was called). Again announcing my pair with the Senator from South Carolina [Mr. SMITH], I withhold my vote. If at liberty to vote, I should vote "yea."

Mr. TOWNSEND (when his name was called). Again announcing my pair, unless I am able to secure a transfer I shall withhold my vote.

The roll call was concluded.

Mr. GERRY. I have a general pair with the junior Senator from New York [Mr. CALDER]. I transfer that pair to the Senator from Nevada [Mr. PITTMAN], and vote "nay."

Mr. SMOOT. I desire to announce the unavoidable absence, on account of illness, of the Senator from Kansas [Mr. CURTIS]. He is paired with the junior Senator from Georgia [Mr. HARDWICK]. I will let this announcement stand for the remainder of the day.

Mr. TOWNSEND. I find I can transfer my pair with the senior Senator from Arkansas [Mr. ROBINSON] to the senior Senator from New Jersey [Mr. FRELINGHUYSEN]. I therefore vote "yea."

Mr. BRANDEGEE. Making the same announcement as to my pair and its transfer as on the previous vote, I vote "nay."

Mr. MYERS. I transfer my pair with the Senator from Connecticut [Mr. MCLEAN] to the Senator from Arizona [Mr. ASHURST], and vote "yea."

Mr. LODGE. I have been requested to announce the following pairs:

The Senator from West Virginia [Mr. GOFF] with the Senator from Oklahoma [Mr. OWEN];

The Senator from Illinois [Mr. SHERMAN] with the Senator from Kansas [Mr. THOMPSON];

The Senator from Michigan [Mr. SMITH] with the Senator from Missouri [Mr. REED]; and

The Senator from New York [Mr. WADSWORTH] with the Senator from New Hampshire [Mr. HOLLIS].

The result was announced—yeas 33, nays 28, as follows:

YEAS—33.

Fernald	Kendrick	Myers	Sheppard
France	Kenyon	Nelson	Spencer
Gore	Knox	Norris	Thomas
Gronna	La Follette	Nugent	Townsend
Hale	Lenroot	Overman	Trammell
Henderson	McCumber	Phelan	Vardaman
Johnson, S. Dak.	McKellar	Poindexter	
Jones, N. Mex.	McNary	Pollock	
Kellogg	Martin, Ky.	Shafroth	

NAYS—28.

Bankhead	Harding	Page	Smoot
Borah	King	Penrose	Sutherland
Brandegee	Kirby	Pomerene	Underwood
Chamberlain	Lewis	Simmons	Warren
Dillingham	Lodge	Smith, Ariz.	Watson
Fletcher	Martin, Va.	Smith, Ga.	Weeks
Gerry	Moses	Smith, Md.	Wolcott

NOT VOTING—35.

Ashurst	Frelinghuysen	New	Smith, Mich.
Baird	Gay	Owen	Smith, S. C.
Beckham	Goff	Pittman	Sterling
Calder	Hardwick	Ransdell	Swanson
Colt	Hitchcock	Reed	Thompson
Culberson	Hollis	Robinson	Wadsworth
Cummins	Johnson, Cal.	Saulsbury	Walsh
Curtis	Jones, Wash.	Sherman	Williams
Fall	McLean	Shields	

So the amendment of Mr. JOHNSON of South Dakota to the amendment of the committee was agreed to.

The VICE PRESIDENT. It is the understanding that the Secretary will correct the bill as has been indicated.

Mr. TRAMMELL and Mr. TOWNSEND addressed the Chair.

The VICE PRESIDENT. The Senator from Florida.

Mr. TRAMMELL. I desire to offer an amendment to the pending bill.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. It is proposed to add a new section to the bill, as follows:

SEC. 1407. That all officers and enlisted personnel of the Army, Navy, and Marine Corps serving the United States in the war against Germany who have been honorably discharged from the service since November 11, 1918, or who may hereafter be honorably discharged, shall be paid one month's salary in addition to the regular pay heretofore authorized.

Mr. TOWNSEND. I ask the Senator if he will not withhold his amendment until we finish the consideration of the section with which we have just been dealing? I had proposed an amendment. Then the Senator from South Dakota [Mr. JOHNSON] included part of it in his amendment; and now, if we could dispose of the remainder of it, we could have made all at once the correction the Chair has suggested.

Mr. TRAMMELL. Mr. President, I dislike very much not to accede to the request, but we are working on rush time to-day, and I do not think it will take very much time to dispose of the amendment I have offered.

Mr. TOWNSEND. I think we are going to have time enough to consider all amendments which may be offered.

Mr. TRAMMELL. I dislike very much not to accede to the request of the Senator.

The VICE PRESIDENT. The question is on the amendment offered by the Senator from Florida.

Mr. SIMMONS. Mr. President, I do not think that this amendment has any proper place in a revenue bill. I am so much in sympathy with the purpose of it that I do not feel disposed to make any resistance, but I can not see its pertinency to the pending measure. It ought to have been offered as a separate proposition.

Mr. TRAMMELL. Mr. President, I will take but a moment. I will say that some four weeks ago I introduced a bill embracing the subject covered by this amendment and granting

one month's additional pay to all officers and enlisted men in the Army, the Navy, and the Marine Corps. This policy was at least approved by Gen. March, in a public interview a short time after the introduction of my bill, and I believe that it will meet with the general approbation of the tax-bearing public of this country. I believe the American people feel that we should make this allowance as a contribution to our soldiers, who have met so faithfully, so bravely, and so heroically the duties devolving upon them. It will be a little pittance to assist them in going home and getting once more reestablished in civil life; and, in order that it may not be delayed longer, I very much hope that it will be adopted as an amendment to the pending bill.

Mr. SIMMONS. Mr. President, the Senator says that he introduced a bill upon this subject some time ago. I should like to ask him what reference was made of it?

Mr. TRAMMELL. It was referred to the Military Affairs Committee.

Mr. SIMMONS. Does the Senator know why that committee has not acted upon it?

Mr. NEW. Mr. President——

Mr. TRAMMELL. I can not say why the committee has not acted upon it. I see the chairman of the committee present, and if he has a statement to make I should be very glad to hear from him upon the subject.

The PRESIDING OFFICER. Does the Senator from Florida yield to the Senator from Indiana?

Mr. TRAMMELL. I do.

Mr. NEW. I did not see the chairman of the Military Affairs Committee present, and I was going to say something about the disposition that was made of that bill; but I observe now that he is here.

Mr. CHAMBERLAIN. Mr. President, in the multitude of bills that the Military Affairs Committee have had to consider, we have not been able to consider this particular measure. We have been constantly at work when we could get a quorum. Some of our members, as the Senator knows, are on the Finance Committee, and the Finance Committee have been in constant session, and they have kept the members of the Military Affairs Committee away and kept it from maintaining a quorum; but the bill will be considered in due course by the Military Affairs Committee, and action upon it by the committee will not be delayed.

Mr. SIMMONS. I simply want to say that if the Senator from Florida insists upon it, I can not myself resist the amendment.

Mr. SMITH of Georgia. Mr. President, we all agree that this is not the proper place for the amendment; but I think every Senator is in favor of the amendment, and the quick way to get it through is to let it be added to this bill now. So far as I am concerned, therefore, I shall be glad to have the chairman of the committee accept it.

Mr. SIMMONS. I would accept it if I had the power.

Mr. KNOX. Mr. President, I should like to inquire of the Senator from Florida why the date is limited to the 11th of November. What about a man who is discharged on the 10th or on the 1st for ill health, and who has gone back?

Mr. TRAMMELL. Mr. President, the object of specifying that date was that it should apply to those who had served until the conclusion of actual hostilities, and therefore it was made to apply from the date of the armistice on November 11.

Mr. KNOX. Does not the Senator from Florida think that the claims of a man who was discharged, say, on the 9th or the 10th, by reason of wounds or illness, are just as meritorious as those of one who was discharged on the 11th?

Mr. TRAMMELL. Mr. President, you have to draw a line somewhere, and I thought it was best to fix the date at the conclusion of actual hostilities. Those who were discharged prior to that time were discharged at their own request, unless they were discharged for disability; and this will apply to what took place after the demobilization began.

Mr. KING. Mr. President, may I ask the Senator a question? Will this cover cases where men were called quite recently and inducted into the service, some of whom served only, perhaps, 10, 15, or 20 days, some of them less than a month or two months? Do they get the same compensation as the men who have been in France?

Mr. TRAMMELL. It will apply to them just the same. Of course, there will be some few cases of that character.

Mr. KING. There will be thousands of them.

Mr. TRAMMELL. There has been no induction that I know anything of, however, since the armistice was signed.

Mr. CHAMBERLAIN. Mr. President, I want to make an additional suggestion to the Senate with regard to delay in acting by the Military Affairs Committee, and that is that there are various bills pending before the committee covering this subject, and covering uniforms and other gratuities to the soldiers. This particular bill was acted upon favorably by the committee, and not reported to the Senate because we took all of the bills covering these various subjects and sent them to the War Department, with the request that they reconcile them and report to us as to the propriety of reporting back the bills as they were, or making such changes as would unify the law and harmonize the different statutes.

Mr. WOLCOTT. Mr. President, will the Senator yield for a question?

Mr. CHAMBERLAIN. I yield.

Mr. WOLCOTT. Do I understand, then, that the Military Affairs Committee has reached the determination that the principle of this bill is worthy of acceptance?

Mr. CHAMBERLAIN. Yes.

Mr. WOLCOTT. And it is only a matter of how it should be framed in formal legislation?

Mr. CHAMBERLAIN. That is all.

Mr. LEWIS. Mr. President, having a bill similar to that referred to, as I have no doubt many other Senators have presented similar bills, may there not be an understanding that in voting for this amendment of the Senator from Florida we do not yield the other measures, nor is it regarded as a substitute for them? They will remain before the Military Affairs Committee for such action as it may give them.

Mr. ASHURST. Mr. President, I have received a very large number of letters in respect to the bill which I introduced some weeks ago to grant three months' pay to each discharged soldier and give him his uniform and overcoat and other articles of apparel as his own property. I appreciate the necessity for early action on the revenue bill, and therefore I will take but a moment.

The chairman of the Committee on Military Affairs has assured me that the bill (H. R. 13366) will undoubtedly pass the Senate at an early date, giving to each soldier, marine, and sailor, when honorably discharged, his uniform, his overcoat, and other articles of personal apparel as his own property. I ask leave at this time to include in the RECORD a few letters I have received on this subject. I have received over a thousand; but I have here only about half a dozen in favor of the passage of this bill, urging that the uniform be given to the soldiers, and three months' pay additional.

There being no objection, the matter referred to was ordered to be printed in the RECORD, as follows:

SEATTLE, WASH., *December 13, 1918.*

Whereas a bill has been introduced in Congress to allow 90 days' pay and the uniform to all soldiers being discharged from the United States Army, and we, being in sympathy with this movement and knowing that it will be of great benefit to our brave defenders, heartily indorse said bill: Therefore be it

Resolved by Geo. H. Fortson Camp No. 2, of the Department of Washington and Alaska, United Spanish War Veterans, in regular session assembled on this 12th day of December, 1918, that we indorse the granting of said 90 days' pay and the presentation of the uniform to each of the men being discharged from our Army; and be it further

Resolved, That Senator ASHURST be notified and that copies of this resolution be forwarded to our Senators in Congress.

This resolution was proposed and adopted by the unanimous vote of all members present.

GEO. H. FORTSON CAMP NO. 2, U. S. W. V.,
E. A. VORIS, *Adjutant.*

FREEPORT, ILL., *December 12, 1918.*

Senator HENRY F. ASHURST,
Washington, D. C.

DEAR SIR: Permit me to congratulate you on the bill you presented to Congress with reference to soldiers' and sailors' uniforms and pay. If the bill does not go through, let me suggest that you offer a bill prohibiting eulogy, as 80 per cent of these men can not live on eulogy, and if they are not entitled to their old clothes and the ordinary pay that private individuals would give to a suddenly discharged chauffeur, I believe such a bill would be in order.

The American public assisted in furnishing amusement and extra comforts which the Government did not furnish, and as such an American citizen I am willing to pay for a uniform for any discharged soldier. I have had no near relatives in the service and am beyond the age myself, but God knows I owe to a discharged soldier a suit of clothes and a pair of shoes, in addition to such amusements as I have assisted in furnishing him. As I say, I will pay for one suit, and I hope Congress will see its way clear to pay for the balance. Let the boys know we mean what we say.

I will send a copy of this to our Senators—SHERMAN and LEWIS; also to our Congressman Mr. JOHN C. MCKENZIE.

Wishing you success and assuring you that I believe the American people, if their attention is called to it, approve of your bill, I remain,

Yours, very truly,

——— ———.

BREWTON, ALA., *December 11, 1918.*

Senator HENRY F. ASHURST,
Washington.

DEAR SIR: I have just read the newspaper report of your bill to give our discharged Army and Navy men their old uniforms and 90 days' extra pay. I heartily indorse the proposition and I think every loyal, soulful American citizen will do the same. Your statements in support of the plan are just and thoughtful and do you great honor.

We are going to have a great big debt to pay in the coming years and these boys will help us pay it. Some of them will return to well-to-do homes and good bank accounts, but 9 out of 10 of them will feel good with the hundred extra dollars in their pockets.

How glorious, that their courage and sacrifices have left us able to make this small demonstration of our appreciation of their honoring services to the Nation. Greeting cheers we will give them heartily, but these are cheap and evanescent. Your bill will furnish a tangible token of the Nation's gratitude.

This writer is 74 years old—reached his home June 27, 1865; buried his old gray jacket with the honors of war, and framed his Confederate $50 bill payable by the Confederate States of America—after treaty of peace with the United States—bless its old soul. I took its promise and will for the deed, but our boys are luckier than their fathers.

They tell us that our Nation is the richest in the world and sending billions to feed the hungry of Europe and Asia. If we order our boys to haul off their khaki for other soldiers and another war, might we not as well furl "Old Glory" that we may quickly forget the story of Chateau-Thierry, St. Mihiel, and Argonne Forest?

Yours, very truly,

SAGINAW, MICH.,
December 13, 1918.

Hon. JOSEPH W. FORDNEY,
Washington, D. C.

DEAR FRIEND: I see that a bill has been introduced in the Senate by Senator ASHURST, of Arizona, to permit the soldiers, sailors, and marines to keep and wear their uniforms and also to give them three months' pay.

I believe this is one of the very best bills that has ever been introduced in Congress to relieve and assist the young men who have been in the Army or Navy. I believe that the uniforms should belong to the young men who have bought them and that they be at liberty to wear them any time when they see fit. Surely no one but a soldier would want to wear these uniforms, and they would not have to sell to a person who is not a soldier.

Every person that I have talked with approves of this measure, and I hope that you will do all you possibly can to see that this bill becomes a law.

With kind regards, I remain,
Sincerely, yours,

E. L. BEACH.

MOUNT VERNON, N. Y.,
December 16, 1918.

Senator ASHURST.

SIR: I am pleased to note in Army and Navy Journal your bill S. 5050.

I trust you will make it apply to discharged officers as well as enlisted men.

The officers have made just as large sacrifices in proportion, many giving up established businesses, which it will take many months to reestablish. I speak from experience, as I am back to my business and find it is not easy under present uncertain conditions of business.

Officers have each paid $400 to $500 or more for uniforms, and it would be only fair to permit them to wear their uniforms three months and get some wearing value out of them. It would also seem only fair to allow the officers 50 per cent of the cost of their uniforms on discharge.

Appreciating your efforts in our behalf, I am,
Sincerely, yours,

Eighteen months' service in United States and in France.

BIRMINGHAM, ALA., *December 18, 1918.*

Senator HENRY F. ASHURST,
Washington, D. C.

DEAR SIR: I notice in the press that you have introduced a bill to pay soldiers and sailors three months' salary after the date of actually mustering out. As a citizen, I feel that this is so eminently just and proper that I take the liberty of writing you.

It is very important to the country that each soldier and sailor keep his uniform for use in after years, and not only for use but as one of the physical evidences of his devotion to his country and his association in this great world crisis, that is to mean so much to this country in years to come.

In addition to the numerous grounds assigned in the press that you have advanced in support of your bill, all of which are most excellent, I beg to suggest an additional reason why this is proper, to wit: I know from personal observation in not less than a half dozen of the large cantonments of the South that a large percentage of the men when they went to camp were compelled to wear their own clothing for quite a while, until they could be properly equipped with Government uniforms. They, therefore, furnished the Government their own equipment for a considerable time.

I am sure that it will require from two to three months' pay for the average soldier or sailor under present conditions to buy sufficient clothing, shoes, etc., to enable him to return to private life decently; and since, in most instances, he wore out one full suit in the service of the Government before he was fully equipped it does seem to me to be simple justice for the country to provide him the funds with which to reimburse himself. This seems to me a sufficient reason, and when coupled with the many reasons you have assigned, as brought out in the press, to impel the passage of some bill to give the relief along the lines as suggested.

Respectfully, yours,

PORTLAND, OREG., *December 2, 1918.*

SENATOR: Note your bill to give soldiers and sailors their uniforms and 90 days' pay.

God knows this is little enough, when they were willing to give their lives. They are not ashamed of the uniform, either, and why make them lay it aside after 60 or 90 days? Why not allow them to wear it as long as it lasts? Our fathers did so in 1812 and 1865. Why not the sons?

E. T. MORRIS.

CAMP LEWIS, VA., *November 30, 1918.*

Senator ASHURST, of Arizona.

GREETING: As a constituent of yours and a former newspaper publisher of Tucson, Ariz., I take this liberty to recognize your effort in behalf of the United States soldiers. Your idea of advancing 90 days' pay to the soldier upon his discharge from the Army has the unanimous approval of all the soldiers of Camp Lewis for the following reasons:

1. The average soldier has an allotment, war-risk insurance, and liberty bonds as an obligation.

2. His capacity for attaining the same amount of money as a civilian has been curtailed by his sacrifice in the present emergency.

3. The winter is at hand, and as it will be several months before conditions industrially will be normal again it would be a splendid idea to give him a nucleus for his new start in life, as they term it, and also to prevent any opportunity of social or industrial dissensions.

4. It is true that if the soldier is so remembered that the favor, plus the experience he has gained in economy with the Army, will make a basis for a brighter and better citizenship than before the war.

5. May it come about so as the soldier will receive it upon the day he is discharged and not 90 days after.

Hoping you will be able to interest all of the Senators in this essential idea, I remain,
Respectfully,

CAMP FUNSTON, KANS.,
December 18, 1918.

Hon. HENRY F. ASHURST,
United States Senate, Washington, D. C.

DEAR SIR: It was noted with a great deal of satisfaction by all the men in the Army that you had introduced a bill into the Senate to pay the men for three months at the rate of pay of their grade upon their discharge from the Army.

A great deal of interest has been manifested in the ultimate outcome of this bill since the time it was introduced, but up to the present time there has been nothing shown in the papers as to what disposition was made of it. As you know, immediately upon the discharge being granted from the Army it will be necessary for a vast majority of the men discharged to purchase complete outfits of civilian clothing. This as you know can not be done for less than the amount you have proposed to have paid the men.

The French Republic has agreed to the introduction of a similar bill into the Chamber of Deputies which proposes to indemnify discharged soldiers in the amount of 250 francs. Is France more able or more willing to give her men returning to civil life at least a chance for an even break than is our own, the richest and most prosperous nation on the earth?

I am writing this letter in my own behalf as well as that of the many other men who were taken away from their civil pursuits of happiness and profit to serve in the Army, and who without complaint have served to the best of their several abilities in such places as they were sent, and now that they are about to be discharged find that a hardship in being properly equipped to reenter civil life is about to be encountered; hence this appeal to you to urge this bill and show the men who have served just the attitude of the men whom they have helped to send to the Halls of Congress to represent them.

KANSAS CITY, MO., *December 9, 1918.*

DEAR SIR: Hope you get your bill through, as I have three nephews over in France and I know they would like to keep their uniforms as a relic. I herewith mail you two statements of Kansas City Star. There has been several like this and you may not see them. This to show what interest is being taken.

Respectfully, JOHN MEREDITH.

GIVE DISCHARGED SOLDIERS AND SAILORS UNIFORMS AND 90 DAYS' PAY.

To the Star:

I read in to-day's paper Senator ASHURST, of Arizona, had proposed a bill giving soldiers and sailors the uniforms they wear at the time of their discharge and 90 days' pay.

I think that the best proposition made for our returning soldiers and sailors. With what pride they will look on those uniforms in days to come—just as we look at the relics used by our ancestors! It keeps in the heart real patriotism and love of country. It will not be a memory only, but something tangible.

What with the drilling, the embarkation, the arrival in foreign countries, the terrible battles they have been in, and the home-coming, it seems to me they will be dazed and hardly fit for work. What will they do? They must live. Some have no homes to come to. I am sure Uncle Sam is willing to let them rest without worry.

I hope the bill will be passed.

DAUGHTER OF AMERICAN REVOLUTION.

LYNCHBURG, VA., *December 10, 1918.*

Hon. HENRY F. ASHURST,
Washington, D. C.

DEAR SIR: I am writing you to say that I heartily agree with your bill to allow the retiring soldiers to retain their uniforms and to be given 90 days' extra pay, too.

The uniforms will be worth nothing to the Government, but will mean a great deal to the soldiers now, as well as in after years.

They will all be broke when they return, and certainly 90 days' extra pay is little enough compensation for the magnificent work they have done. I believe the people are with you practically unanimously on this proposition.

Yours, truly, G. M. BRASFIELD.

BALTIMORE, MD., *December 11, 1918.*

United States Senator ASHURST.

SIR: In to-night's paper I read of the bill you have introduced to give each discharged soldier his uniform and three months' pay, and from experience I can say it is the most humane bill I have ever read. When I state "from experience," I was discharged in 1898—November 7—and being a newly married man with $28 finals, my uniform was a godsend. Some will spend it in a few days, but the majority will see it as I do. I also wish to state that I hope to be a resident of Arizona soon—where at, I do not know. My reason is that, being a sufferer

from tuberculosis, malarial poisoning, and pyorrhea, I am compelled to keep moving to keep able to support my family, and my wife's help. Now, I will tell you of a little incident. Being an ex-soldier, I have always endeavored to make my home pleasant for as many of the boys as I could financially entertain. So last June I saw, while working at my trade at Fort McHenry Base Hospital No. 2, an artilleryman from France. He looked as if he had gone through some hard times, and I accosted him and invited him to my home, as I had done to other boys. He told me he had not been paid for nine months. His record, or papers, could not catch him. And he had been operated on for appendicitis in mid-ocean, and since then in New York, and was due for one in Fort McHenry. Anyhow, I fixed him up financially, also with tobacco, and took him home. He picked up wonderfully since then. His last operation has been successful and I introduced him to a perfect young lady, and they get married Christmas, and when he gets his discharge we are all going to Arizona. We had decided to go before, and now since I have read your bill it confirms my idea of Arizona. I am no novice to the West, as I spent seven years in California. We intend to go as soon as we are able. He is a farmer and I am a practical bungalow builder (as they are built in California).

Hoping your bill will pass with no opposition, and when we become voters in Arizona you can rely on two, no matter which political party.

I am, most respectfully,

W. S. HARRIS,
1316 James Street, Baltimore, Md.

P. S.—My penmanship comes from nervousness, which came from my own physical troubles. W. S. H.

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ANNISTON, ALA., *November 30, 1918.*

Senator ASHURST,
United States Senate, Washington, D. C.

MY DEAR SIR: Notice of preparation of your bill was published in a local newspaper, the Anniston Star, Anniston, Ala. The same newspaper published statements of Quartermaster Department, and it said that millions of articles of clothing were on hand unissued.

It occurred to me that inasmuch as such equipment was on hand, and, too, inasmuch as all present issued clothing was "second hand" when issued, that some or all of the surplus new uniforms be given the boys, who would like to go home looking decent, but who are ashamed to wear the oversizes and patched trousers, etc., home. It is perfectly proper that we soldiers should sacrifice our pride and even substance and life if necessary, but as we go home after such as we have been through, "much or little," it is no more than right that we should have the $90, or three months' pay, and the clothes which are on hand now unissued.

Most men would be able to find employment, and maybe the $90 would be the means of them getting started over in some new or old occupation.

We boys admire you and appreciate such a man in the Senate.

Yours, respectfully,

Pvt. B. E. PROCTOR, JR.,
First Company, Ninety-eighth Division, Camp McClellan, Ala.

Mr. FLETCHER. Mr. President, I think I can say for the members of the Committee on Military Affairs that there is really no opposition in that committee to the bill offered by my colleague [Mr. TRAMMELL].

Mr. SMITH of Georgia. Mr. President, is it not true that that bill has been approved now by a majority of the members of the committee; that they have signed their approval to it, and it is ready to be reported and passed?

Mr. FLETCHER. I think so.

Mr. SMITH of Georgia. We could call it up this afternoon.

Mr. BORAH. Mr. President, do I understand that this amendment, in substance and effect, is approved by the Military Affairs Committee?

Mr. McKELLAR. That is true. It has been approved by the Military Affairs Committee and directed to be reported, subject only to the Secretary of War changing its verbiage.

The VICE PRESIDENT. The question is on the amendment of the Senator from Florida.

The amendment was agreed to.

Mr. TOWNSEND. Mr. President, I desire now to complete the amendments in relation to section 900, in completion of the work which was done by the Senator from South Dakota [Mr. JOHNSON] in his amendment.

By that amendment we have stricken from paragraph (1) everything except automobiles and motorcycles. Now, it has occurred to me that all of these items should be treated in exactly the same way; that there is no reason which may be urged in behalf of one which is not good in relation to the others. They are not luxuries. That has been determined, I think, by everyone who has given the matter consideration.

Then in section 3, on page 194, is the tax on tires, inner tubes, parts, or accessories for any of the articles enumerated in this other paragraph. In other words, I ask now to amend the bill further by striking from it the tax on automobiles, motorcycles, and the new parts which apply to those particular items.

This is all one subject. It is all treated, or should be treated, in exactly the same manner. These were luxury taxes. They are not such; and we having decided that in some cases, it seems to me that we ought to include the other matters.

I do not care to occupy the attention of the Senate on the subject, and I am perfectly willing to take the judgment of this body upon it. Therefore I move to have it treated the same as the other amendment, which was carried, and to strike from the bill subdivision "(1)" on page 193, and subdivision "(3)" at the top of page 194.

The VICE PRESIDENT. The Senator from Michigan proposes an amendment, which will be stated.

The SECRETARY. It is proposed to strike out all of lines 18 to 22 on page 193 and lines 1 to 5 on page 194.

Mr. SMITH of Georgia. Mr. President, we make no point at all upon the time when the motion is made, and agree with the statement of the Chair that it can be considered; but I think we ought to state again, from the committee to the Senate, just what you are doing.

The committee took the bulk of the burden off of the automobile business and the automobile operation. The House put a tax on gasoline. We struck that out. The House put a tax upon each owner and user of an automobile. We struck that out. The House put a tax of 10 per cent on automobiles and motorcycles. We reduced it to 5. The House put a tax of 10 per cent on accessories, tires, and things of that kind connected with automobiles. We reduced it one-half. Now, you are about to strike out the last $55,000,000 that we have left in this bill. It is estimated that the automobiles and motorcycles will pay $40,000,000, and that the accessories will pay $15,000,000. That is $55,000,000 more. You are about to strike that out, also, or the motion is to strike it out.

Speaking for the committee—I think I can speak for a large majority of them—we do not think this ought to be done. We do believe that this tax is reasonable on the manufacturers of automobiles and motorcycles and on these additional supplies for automobiles. It is reduced one-half from what the House had it, and the industry has been freed from the balance of the tax by taking it off of gasoline and taking it off of the operators of automobiles.

I do not believe it is possible to get this bill through without some of this tax being left. I believe it will either go back on gasoline, or it will go back on the operators of automobiles, or it will go back somewhere; and this is the best place to leave it—on the manufacturers of the automobiles and motorcycles. I think the action of the committee was at least wise in leaving this tax in the bill.

Mr. McCUMBER. Mr. President, the argument that was made in favor of striking the tax off of the tractors, and so forth, was an argument made seemingly for the benefit of the agricultural class, and for the benefit of no one else. I know enough about the agricultural class to know that there are $10 or perhaps $50 invested in automobiles by that class where there is $1 invested in these other articles which you wish to protect from the tax. A little Ford is no more of a luxury to the farmer than a horse and buggy were a few years ago. Nearly every farmer has one of that kind, or one similar to it. It is just as necessary for him to run to town in his automobile, especially in the Western country, where quite often he is 30 or 40 or 50 miles from a town of importance, as it was in the olden days to drive his horse and buggy that distance.

It does seem to me that none of these are really luxury taxes, and if they are not luxury taxes they ought to go out, all of them. I voted to take them all out, and I would vote again to take them out to-day, because I think it applies just as much to one class as to another; and, although I represent a purely agricultural State, I do not want to say to the man in that State: "You can have your article free, but the merchant in the little town must pay taxes on an article that is produced by the same manufacturer." I think they ought to be all treated alike.

Mr. BORAH. Mr. President, we are just adding about seventy-five or eighty millions——

Mr. NELSON. Oh, Mr. President, two hundred and fifty millions.

Mr. LODGE. The Senator is speaking of taxes, and not expenses.

Mr. NELSON. I mean the expenses. We have just added an amendment here increasing the expenses of the Government $250,000,000.

Mr. BORAH. Very well. The Senator knows more than I do about it, and I will accept his figures. It only accentuates the position that I am going to take.

I voted against the amendment that was offered a few moments ago, although it was supposed to be offered in behalf of the agricultural interests, and a large part of my State is dedicated to that vocation; but I have not heard any considerable protest on the part of the agriculturists or farmers in regard to this matter. The only protests, the only letters I have had, have come from the manufacturers of automobiles and the manufacturers of these articles with which we are now dealing; and I suspect that they are the ones who are most concerned about this matter. In view of the fact that

we are adding expenses here to the extent that we are, we ought not to undertake to reduce upon those matters which, whether they are necessaries or luxuries, can afford in this emergency to pay this tax.

Mr. SMOOT. Mr. President, just one word. A couple of hours ago the Senate voted to place a tax of 10 per cent upon clothing. Now we are going to vote whether we are going to impose a tax upon automobiles or not, after cutting it from 10 per cent to 5. I can not see the consistency in any such course of action.

Mr. MYERS. Mr. President, I ask for a division of the question. I ask that the motion to strike out subdivision "(1)" on page 193 be voted on as one question, and that the motion to strike out subdivision "(3)" on page 194 be voted on as another question.

The VICE PRESIDENT. The question is on the motion to strike out subdivision "(1)" on page 193, as amended.

The motion was rejected.

The VICE PRESIDENT. The question now is on the motion to strike out paragraph "(3)," on page 194.

The motion was rejected.

Mr. JONES of New Mexico. I desire to call up an amendment I offered some days ago on page 8, line 4, to insert a paragraph as follows:

(c) When parcels are sold from a tract of land as part of a plan of development and disposition, no gain shall be deemed to accrue to the owner from the sale of any parcel until enough shall have been sold to return to him the cost of the tract or its value on March 1, 1913, if it was acquired by him on or before that date.

The other day in discussing the bill I called attention to this very important situation which affects the irrigation industry. Under the present ruling of the department if a man has an irrigation enterprise, and sells any of it, the difference between the cost of the few acres which he sells and the rest is considered as income, although the cost of construction of the work has not yet been paid for. In cases of that kind where the project is being developed, the amendment provides that the person shall not be charged until after the cost has been determined. I certainly hope that the amendment will be accepted. I trust it will not be opposed by the committee.

Mr. SMOOT. Mr. President, just a word. I can not see why this amendment should be adopted after the provisions of relief have been given in the bill. It seems to me it is simply an amendment to relieve real estate agents in the sale of land.

Mr. JONES of New Mexico. Oh, not at all.

Mr. SMOOT. I can not construe it in any other way than that. Of course, I do not care to discuss it any further. I am perfectly willing to have a vote on the amendment.

Mr. SMITH of Georgia. Mr. President, I agree with the view taken by the Senator from Utah representing the chairman of the committee. We are told it is necessary, but I do not think there is any more reason to apply it to real estate than to a stock of goods or anything else.

Mr. JONES of New Mexico. Mr. President, I discussed the matter the other day, and among all those who understand enterprises of this sort it was thought that, without some amendment of this kind, you will not have any more irrigation projects developed through private capital. I sincerely trust that the amendment may be adopted. It would tend to relieve the situation where the man has made no gain and when he has to pay out every dollar which he received in discharging the mortgage he put on the land in order to construct irrigation work. I sincerely hope that there will be no objection to this amendment.

Mr. SHAFROTH. May I ask the Senator whether, when the amount which has been placed in the enterprise is paid, it is subject to assessment?

Mr. JONES of New Mexico. Every dollar that comes in is to be considered as gain, and is income taxable at that.

Mr. SHAFROTH. I heartily agree with the Senator that unless it is done we are not going to have the large irrigation enterprises where sales are made in the western country. It seems to me we ought to encourage that kind of development in the West.

Mr. SMOOT. Mr. President, I wish simply to say that the practice of the department to-day is not to impose a tax upon any proposition until there is real gain made.

Mr. JONES of New Mexico. I think I can give the Senator some information, at least, which I received directly from the department. In such a case as I have mentioned, when the first 80 acres is sold the difference between the actual cost of 80 acres and the sale price is figured as income, and if you sell enough so that the income will meet the running expenses for the year, it is considered gain, although there may be a mortgage on the property of $1,000,000.

Mr. SMOOT. Whatever interest is paid on the mortgage is allowed to be deducted.

Mr. JONES of New Mexico. No; it is only the interest on the mortgage which is permitted to be deducted.

Mr. SMOOT. That is exactly what I said—the interest on the mortgage is allowed to be deducted before any gain can possibly be shown. Not only that, these payments are made in perhaps 10 different yearly payments, and history shows that many of the payments made in the first year are turned back into the company by the purchaser of the project and represented by the payment of the purchase price. I can not see but that the ruling of the department and the practice of the department covers everything that ought to be covered in a case such as is referred to in the Senator's amendment.

I am deeply interested in the development of the western country as the Senator, and deeply interested in seeing the reclamation projects established, maintained, and made a success of, but really I think this is going entirely too far even in that case, hard as it was.

Therefore, Mr. President, I can not understand why the Senator asks for this particular legislation. I do not believe it is going to assist anything in any irrigation projects.

Mr. JONES of New Mexico. I ask for it for the reason that in any irrigation enterprise there is not a dollar of actual profit until you have sold enough land to pay the cost of building the work and the cost of the land. There is not and can not be a dollar of net profit in it, but after that is paid then the receipt becomes profit. It is simply a question of doing justice and not taxing a gain or profit until a thing becomes a gain or profit.

Mr. SMOOT. That same thing applies to a merchant who has a stock of goods. There is no profit made until the goods are sold. It applies to every farmer in the country. It applies to every person who pays a tax. I can not see why this particular case should be differentiated.

Mr. WOLCOTT. Mr. President——

Mr. JONES of New Mexico. I yield to the Senator.

Mr. WOLCOTT. Is the tax which the Senator speaks of to relieve this irrigation project a tax imposed upon net profits?

Mr. JONES of New Mexico. The provision which I offer is not to consider that as a gain until enough land has been sold to pay the cost of the project.

Mr. WOLCOTT. I wish to ask the Senator a question further. A moment ago he said that there is no gain until enough land is sold to repay for the land, and until that time has been reached it can not be considered as a taxable proposition. There is no profit until the cost has been fully repaid.

Mr. JONES of Washington. Unfortunately it is because of the ruling of the department that I have offered this amendment. I think the Senator's ideas should be carried out, but it is because of an adverse ruling of the department that I have offered the amendment.

The VICE PRESIDENT. The question is on agreeing to the amendment presented by the Senator from New Mexico.

The amendment was rejected.

Mr. SHEPPARD. I offer the following amendment:

The VICE PRESIDENT. It will be read.

The SECRETARY. Add a new section, to read as follows:

That the provisions of section 5 of the act entitled "An act making appropriations for the service of the Post Office Department for the fiscal year ending June 30, 1918, and for other purposes," approved March 3, 1917, relating to intoxicating liquors in interstate commerce, as amended by section 1110 of an act entitled "An act to provide revenue to defray war expenses, and for other purposes," approved October 3, 1917, be, and the same are hereby, made applicable to the District of Columbia.

Mr. PHELAN. Mr. President, I understand that this is the same amendment which was proposed recently as a rider on a bridge bill, and to which the presiding officer called the attention of the Senate. I think it is equally obnoxious to the present proceedings when we are considering a bill providing for revenue. If it were in order, I would object on the ground that it is not germane, but I understand that objection would only lie in case of a general appropriation bill, so the only recourse I have is to appeal to the Senate by informing this body exactly what the amendment calls for.

It is to deny to the citizens and temporary sojourners in the Capital of the Nation the privilege of importing wine into the District, against which there is now no prohibition. There is a prohibition against the manufacture, sale, or the giving away of wine. There are no barrooms nor hotels nor clubs now enjoying the privilege of sale or of giving away wine. So there is the practical complete prohibition of the liquor traffic in the District, with the exception of the privilege which has this many months been accorded to residents to import wine for their own table use, and which is now proposed to be denied.

If this amendment is adopted there will be no means by which the citizens of this District can regale themselves except by seeking sanctuaries in the legations and the embassies. We are giving to the foreigners a privilege which we deny to our fellow citizens. I would urge that we move slowly, in view of the fact that there will be national prohibition not later than February, 1920. The New York Sun yesterday enumerated 38 States which would ratify by January next the Federal amendment, which by its own provision goes into effect one year later; so in February, 1920, there will be no liquor of any kind sold or manufactured in the United States, including the District of Columbia.

If this amendment prevails it cuts the privilege off in the District of Columbia prematurely, now enjoyed by States that are not now dry.

We are made an exception, and as the law-making body reside in the District of Columbia it is asking much of them to deny themselves this privilege which is enjoyed in so many States where prohibition laws do not now obtain.

Why anticipate February, 1920? It is but a year. It enables the Government to gradually cut down libations. Citizens will not be exposed to the danger of suffering from the shock, and I believe it is a good medical practice to wean a man away from the bottle slowly.

Mr. SMITH of Georgia. May I ask the Senator a question?

Mr. PHELAN. Certainly.

Mr. SMITH of Georgia. If this amendment should pass the Senate there would be a few days of delay before the conference agrees upon it and its approval. Why could not the gentlemen so situated lay in what they needed in the meantime?

Mr. PHELAN. Owing to congestion of traffic between Baltimore and Washington or New York and Washington, it would be practically impossible within that period to supply the demand.

It seems to me it is dealing in a very small way with the District of Columbia by denying it a privilege enjoyed elsewhere and rather taking advantage of a position which gentlemen enjoy by holding a majority to punish, even to torture, those citizens who are less favored than ourselves in strength and ability to resist this gentle temptation.

I will not discuss now the practice of wine drinking at meals, something demonstrated as wholesome by the countries of the Old World and approved by the Bible itself. "Drink no longer water, but take a little wine for the stomach's sake," is an injunction, I believe, coming from a pious and serious authority many years ago and still advised by the medical profession.

So it is not the drinking of wine at table that produces disease or vice or crime. It is a healthful and salubrious practice in moderation, and I believe the citizens of Washington are given to moderation.

I would call the Senator's attention to this thought: Notwithstanding the position which the citizens of this District now enjoy, the police have, without warrant of law, been arresting all manner of men coming into the District of Columbia carrying containers with liquor. There is no law at present where such importation is forbidden, and yet the municipal authorities are humiliating men by bringing them into the police court to there determine whether the wines are for their own personal use. They are prosecuting that practice so diligently that there is much indignation and editorial expression in this community in enforcing a so-called law which has, in fact, no place upon the statute books. I do not know that it has been abused here; whether it is abused or not, it is a privilege which the citizens of this community should enjoy until forbidden, and they should not be discriminated against by an act of Congress. This community has no means of expressing itself except through Congress. It is denied the privilege enjoyed by other communities of vote and representation, and being thus made helpless, it is the refinement of cruelty for Congress to pass a law of this kind. I will propose an amendment in good season.

Mr. SHEPPARD. Mr. President, the Senator from California has restated in his eloquent way some of the old but long-ago exploded antiprohibition arguments. I merely want to remind him that the bridge that presents itself now is a safer and securer one than the Tennessee River bridge, the bill which I attempted to amend a week or two ago by offering this bone-dry measure as a rider thereon.

I have here letters from the Commissioners of the District of Columbia and from the chief of police which show the immediate necessity of action of this kind. After receiving these letters I have deemed it my duty to present this measure as an amendment to this bill. I ask that the letters be read.

The VICE PRESIDENT. The Secretary will read.

The Secretary read as follows:

COMMISSIONERS OF THE DISTRICT OF COLUMBIA,
METROPOLITAN POLICE DEPARTMENT,
Washington, D. C., December 12, 1918.

Hon. MORRIS SHEPPARD,
United States Senate, Washington, D. C.

MY DEAR SENATOR: I am exceedingly glad to learn from you that the bill to apply the Reed bone-dry law to the District of Columbia has been placed on the Senate calendar.

It has been most unfortunate, of course, that during the year the District has been dry under the Sheppard bill the National Capital is the only place in the whole United States where prohibition is enforced that has not enjoyed the benefits of the Reed bone-dry law. If it were not for the fact that the military-zone law has been extended to apply in the District of Columbia, conditions in Washington during the period of demobilization and thereafter would surely become very bad. As long as persons are permitted by law to bring large quantities of liquor into the National Capital and are free from prosecution if they make a fairly good statement that it is for personal use, just so long will a certain class of men and women stop honest labor and attempt to get quick profits in the bootlegging business. For more than a year the courts have become congested with cases growing out of arrest of persons who have entered the bootlegging business rather than work. The application of the Reed amendment to the District of Columbia, the same as it applies to all other dry territory in the United States, would make such a situation in the courts impossible.

Very truly, yours,

R. W. PULLMAN,
Major and Superintendent.

—

WASHINGTON, *December 12, 1918.*

Hon. MORRIS SHEPPARD,
United States Senate, Washington, D. C.

MY DEAR SENATOR SHEPPARD: The Commissioners of the District of Columbia are informed that it is your purpose to urge the immediate passage of the bill applying the Reed bone-dry act to the District of Columbia. The commissioners have already reported favorably on this bill, but they take this opportunity to urge you to use every possible effort to bring about its immediate enactment into law.

The District of Columbia is the only prohibition territory in the country to which the Reed amendment does not apply. This fact is largely responsible for the large importations of liquor that are now being made. The police department has been diligent, the dockets of the courts have been congested with liquor cases, but the conditions have become almost intolerable.

If the proposed bill becomes law, then the authorities here will have the same opportunity to enforce the prohibition laws as is enjoyed by the authorities in other prohibition territories. Without this opportunity, there will undoubtedly be a continuance of the highly profitable bootlegging business to the detriment of all conditions affecting law and order in this jurisdiction.

The commissioners trust that the Senate will pass the bill, and believe that its enactment into law will be followed immediately by a marked improvement in conditions in the District of Columbia.

Very respectfully,

THE BOARD OF COMMISSIONERS OF THE
DISTRICT OF COLUMBIA,
By LOUIS BROWNLOW, *President.*

Mr. JONES of Washington. Mr. President, I simply want to say that the chief of police called on me yesterday and urged that Congress should take some action in this matter immediately. He said the Department of Justice and the War Department were cooperating with his force very diligently, but under the law as it now is they can do very little. He stated that four carloads of liquor came into this town yesterday by express and he expected a similar amount to-day. He called my attention to the particular class of people who seemed to be making it a business to bring liquor here from Baltimore. He also called my attention to particular instances that have happened in connection with attempting to enforce the law. One in particular illustrated, he said, the methods that are used. He stated that they use a particular term that is applicable to liquor and change that term from time to time; that he sent a part of his force down into the southwestern part of the city a few days ago; that a colored man got on the running board of the automobile and asked them if they wanted a certain thing, using a term which applies to liquor. The police force were in citizens' clothes and they said "yes," and he pulled out of his pocket a bottle, and they arrested him.

He began to cry, "Murder!" and the chief said that from 50 to 100 colored men came from different parts, that they were rushing up, and he had no doubt that they meant to attack the officer. The other men stepped out of the machine with Krag rifles in their hands, and the chief said that they had found that the colored men in the southwestern part of the city cared but very little for revolvers; that they seemed to estimate that only about one shot out of ten took effect; but that they did have very great respect for rifles. He therefore had his men armed with Krag rifles, and when the men carrying them got out of the machine the darkies faded away.

Mr. President, he states that it is taking nearly his entire force; that they must go in squads really to endeavor to enforce the law; that they have urged that Congress apply to this District the same law, at any rate, that we have applied to other territory where the legislative authority has prohibited the sale and manufacture of liquor; and he states that if we

will do that, it will assist them wonderfully in the enforcement of the law.

Mr. President, as the letter states, the Government has established a war zone in the District of Columbia, and yet these people on whose account an appeal is made here to continue this traffic, are doing everything in their power to debauch the men who have saved our country. It seems to me that Congress ought not to hesitate one minute to put the force of its authority behind the men who are trying to protect not only the soldiers but this community from the evil effect of this traffic.

SEVERAL SENATORS. Vote!

The VICE PRESIDENT. The question is on the amendment offered by the Senator from Texas [Mr. SHEPPARD].

Mr. HITCHCOCK. Mr. President, a few days ago I made the statement here that the Post Office Department, and also the War Department, had largely broken down in the service of mail to the soldiers in France and in the service of mail from the soldiers in France to their families in America. I am now in receipt of a letter from the Postmaster General——

Mr. SHEPPARD. Will the Senator allow us to vote on this amendment?

Mr. HITCHCOCK. Not until I get through. I see no possible reason why, if the Senator can bring in his favorite hobby of prohibition here, I can not bring in anything I please.

Mr. SHEPPARD. I was under the impression that the Senator from Nebraska was bringing up another subject, thinking that this one had been disposed of.

Mr. HITCHCOCK. Not at all. I had not expected to interrupt the revenue bill, but if the Senator from Texas can interrupt the revenue bill with his particular hobby, I do not see any reason why the matter which I now present can not be discussed.

I am now in receipt of a letter from the Postmaster General, calling attention to the fact that since the 30th day of June, of this year, the Post Office Department has had nothing to do with the delivery or distribution of letters to the soldiers in France, but has simply delivered those letters to the War Department at a certain terminal in New York City; also, that it has had nothing to do with gathering the mail from the soldiers in France, but has simply received that mail at Bordeaux for transportation to the United States.

I shall ask to have the Postmaster General's letter published in the RECORD for the purpose of exonerating the Post Office Department for any failure since the 30th of June to see to the proper delivery of the mail. I will say, however, that prior to the 30th of June the Post Office Department was largely responsible for the failure to deliver mail promptly to the soldiers in France, and the breakdown was so complete that the War Department insisted on taking over the work. Since that time the War Department has made about as complete a failure as had the Post Office Department prior to that time. But in justice to the Postmaster General I send to the desk, and ask to have printed in the RECORD, a letter from Postmaster General Burleson.

The VICE PRESIDENT. In the absence of objection, permission to do so will be granted.

The letter referred to is as follows:

OFFICE OF THE POSTMASTER GENERAL,
Washington, D. C., December 21, 1918.

Hon. G. M. HITCHCOCK,
United State Senate.

MY DEAR SENATOR HITCHCOCK: I note on page 659 of the CONGRESSIONAL RECORD of December 19 that you stated in the course of debate:

"The only explanation for the failure to deliver the mail to the soldiers in France and for the failure to receive the letters of soldiers in France written to their families in this country is, in my opinion, rank incompetency; and I take this occasion to say that it is one of the most disgraceful breakdowns of the Post Office Department in the first place and of the War Department management in the second place, that the soldiers in France have been deprived of their home letters and the folks at home have been deprived of the letters from their soldiers."

By reference to Senate Document No. 269, hereto attached, it will be seen that the Senate was advised by me in July last that, since June 30 preceding, the Army has been conducting the transportation and delivery of the mail to the soldiers addressed for delivery in the United States. Under this arrangement the mails for the troops in France are distributed by this service at the Chelsea Terminal railway post office at New York, in accordance with schemes furnished by the military authorities, and handed over in sealed sacks appropriately labeled to said authorities at the port of embarkation, whereupon the responsibility of this department ceases and the military authorities undertake the transportation and delivery of said mails to the individual soldiers addressed. In order to keep a proper check on the course of the mails and to locate responsibility for delays a daily report is rendered jointly by an official of the Army and an official of the Railway Mail Service in charge of the distribution of these mails, said statement showing the amount of mail distributed and sealed ready for dispatch and the amount of mail undistributed in the Chelsea Terminal at 12 o'clock noon each day. A perusal of these daily reports shows that on no occasion has there been as much as 24 hours' accumulation of undistributed mail, and that most of the reports show that the letter mails were distributed as fast as received. It is noted that you state that "there is comparatively little second-class mail that goes to France," and in connection therewith I desire to point out that for the three months ending November 30 there was distributed in the Chelsea Terminal railway post office a total of 226,408 sacks, or 13,233,935 pieces of printed matter and parcel post, a weekly average of 17,416 sacks, or 1,017,995 pieces.

Under the above-mentioned transfer of jurisdiction the mails from the soldiers in France are collected by the military authorities and handed over to this service at a distributing terminal in Bordeaux, from which time the postal service assumes responsibility for the handling of the same. In connection with the responsibility of the Post Office Department in the handling of these mails, I beg to quote from a letter of the United States postal agent on the subject, as follows:

"The boys in the Bordeaux Terminal take a great deal of pride in the manner in which they are preparing the mail for the States and the promptness with which they get it out of the terminal on the day of shipment. With the last truck load which left the terminal (dispatch of September 14) for the docks, not a letter, paper, or parcel was left in the terminal."

Since the dispatch of September 14, just mentioned, there have been 18 dispatches of mail from the troops in France, and from the reports received there were only two occasions on which the Bordeaux Terminal was not entirely cleared of all mail on hand, such a circumstance being due to conditions over which the post office has no control, such as insufficient space on board the steamer scheduled to receive the mails.

The mails from France are thoroughly distributed between sailings, in the Bordeaux Terminal railway post office, to States, railway post-office lines in this country, and even to cities, thereby expediting their handling and delivery upon receipt in the United States.

This is the situation since June 30, when the Army assumed responsibility for the mails going to France, at the port of New York, and delivered the mails from the soldiers in France to the post-office authorities at the port of Bordeaux. Every report that reaches me from my own officials, as well as from the Army, indicates that there is no delay in the handling of the mails under the jurisdiction of the Post Office Department. If you have any information indicating the breakdown of the Post Office Department's work in connection with the mails to or from the soldiers in France, I shall be pleased to be advised of the particulars in order that prompt remedy may be applied.

I must make this statement in justice to the Post Office Department, and feel certain that after reading this letter, also the accompanying document, you will see that this department is in no wise responsible for the delays to mail to and from the soldiers, complained of by you, and I feel certain that in fairness to this branch of the Government you will take action to correct your statements charging a breakdown on the part of the Post Office Department.

Sincerely, yours,

A. S. BURLESON,
Postmaster General.

Mr. BORAH. Mr. President——

Mr. HITCHCOCK. I yield to the Senator from Idaho.

Mr. BORAH. By what authority does the Post Office Department avoid the responsibility, which rests upon it, of transmitting the mail and taking care of it?

Mr. HITCHCOCK. The Senator from Idaho has asked a question which I am not able exactly to answer, except that we are in war times, and I suppose that the jurisdiction of the Post Office Department in France would only be such a jurisdiction as the military authorities yielded to it.

Mr. NELSON. Mr. President, will the Senator from Nebraska yield to me a moment?

Mr. HITCHCOCK. I yield.

Mr. NELSON. I think the answer to the question of the Senator from Idaho (Mr. BORAH) is that up to a certain time the Post Office Department had charge of the distribution of mail over in France, and that after that time—I do not recall the exact date—the War Department took charge of its distribution. I know that of my own knowledge, for one of my former clerks is engaged in the work over there. The War Department has had charge of the distribution of mail since last June, I think, and perhaps earlier.

Mr. HITCHCOCK. The War Department has had charge of its distribution since the 30th of June. I had just stated that to the Senator from Idaho; but he now desires to know by what authority the Post Office Department abdicated its duty and turned it over to the War Department; and I say I do not know. I suppose the War Department had no right to distribute mail in France, and that the military authorities only got such authority by reason of the laws and customs of war.

Mr. BORAH. Well, Mr. President, it occurred to me that if I should write a letter to a friend in France I should not be exactly satisfied with my Government if the department which had charge of the matter should deliver the letter down here to the Treasury Department, for instance, or should deliver it at the suggestion of the Treasury Department somewhere. I was simply curious to know why and how it is done.

Mr. NELSON. Mr. President, if the Senator from Nebraska will allow me, I beg leave to say that during the Civil War our experience was this: The Post Office Department would send the mail to the different camps or to different organizations. After it reached there the mail would be distributed by the officers of the different corps or regiments. After the mail has reached France, manifestly, it seems to me, that the men connected with the Army were the proper ones to distribute it. Our Army was in motion; it was not like distributing mail here in the city of Washington, where every man's house is numbered. The Army was moving rapidly from place to place, from camp to camp. They were here one day and at another place another

day. Hence, from the necessities of the case it was proper for the War Department to distribute the mail after it got to France. That is exactly the method which was pursued during the Civil War.

Mr. BORAH. Mr. President, the Senator from Minnesota is discussing one state of facts, but unfortunately there is another state of facts which exists.

Mr. NELSON. No; the mail was shipped over under the authority of the Post Office Department. It was only after the mail reached France that the Army took charge of its distribution.

Mr. HITCHCOCK. Mr. President, at the beginning there was an arrangement made under the toleration of the War Department, by which the Post Office Department undertook to distribute the mail to the various division headquarters, as I understand, in France, or possibly even to the headquarters of smaller units. That continued from the time we entered the war until the 30th of June. Thereupon, complaints having grown very great that the mail was irregular and very much delayed in delivery, the War Department insisted on taking over its distribution after it reached Bordeaux. It was finally given control of the mail at New York, and actually carried it over in Army transports and distributed it throughout France. Mail coming from France, from the soldiers there, was delivered to the Post Office Department at a terminal in Bordeaux, and is so delivered at the present time. So from the 30th of June on the Post Office Department is not actually responsible for the failure to deliver mail, but prior to that time it was responsible. There were, however, disagreements between the departments as to which department was chiefly responsible even before that time. There can be no question now that the failure is due to the failure of the War Department.

Mr. SMITH of Michigan. Mr. President, I desire to ask the Senator from Nebraska who is responsible for the delivery of telegrams? I sent a telegram a few days ago from Harrisburg to my house in this city. I wrote it in the Harrisburg office at 2 o'clock in the afternoon—a straight message—and it was delivered to my house in this city on Sixteenth Street next morning after breakfast. That is a fair sample of the management of the telegraph service by the Post Office Department.

So far as I am concerned, there is not a branch of this Government that I would not willingly trust the mails to in preference to that branch which has had charge of it for the last four or five years.

Mr. HITCHCOCK. Mr. President, I think so far as this country is concerned, the Post Office Department during the war has done as well as has any other department. Depending largely on human effort, the Post Office Department, like other departments, has had to suffer from the fact that many of its old or active employees, able men, have been taken for war service.

Mr. SMITH of Michigan. Mr. President, let me ask the Senator a question. He is a sensible, level-headed business man. How can he account for the delay of which I spoke? The telegram was sent at Harrisburg at 2 o'clock in the afternoon and delivered at my house here the next morning after breakfast. Is there any theory upon which that kind of service can be reconciled with efficiency? And that is only a fair sample. I have known it to occur over and over again, not only in my own case, but in the case of others.

I tell you the Post Office Department has voluntarily overburdened itself with responsibilities, political and otherwise, and is utterly lacking in efficiency which should go with the management of that great department of public service. From the top down it is incompetent; and yet we are talking about giving that officer new and added responsibility. I wish there were some way to have a vote in connection with this bill on the proposal of the Postmaster General to buy the telegraph and the telephone systems and attach them to his bureau. I think Congress would turn that unwise experiment down without a moment's hesitation. The present administration of the Post Office Department has not been successful and is already overburdened. The country has little confidence in Mr. Burleson's plans or purposes. His retirement from office is fondly anticipated, and will be hailed with real satisfaction by his countrymen.

Mr. SIMMONS. Mr. President——

The PRESIDING OFFICER (Mr. MCKELLAR in the chair). Does the Senator from Nebraska yield to the Senator from North Carolina?

Mr. HITCHCOCK. I yield.

Mr. SIMMONS. I understood the Senator desired to put something in the RECORD, but I hope the Senator will let us go on with this bill just as soon as he can possibly do so. Of course I do not wish to ask the Senator to desist from any argument he proposes to make, but the Senator sees that the result of the injection of this matter is to get away from the bill.

Mr. HITCHCOCK. It is a very interesting subject.

Mr. SIMMONS. I understand it is an interesting subject, and I do not object to the Senator putting what he desires to put into the RECORD, but I hope we may conclude this discussion and get back to the bill as soon as possible; that is all I wish.

Mr. HITCHCOCK. Mr. President, I wish to say that I agree fully with the contention made by the Senator from Michigan [Mr. SMITH] that it is a serious mistake which the Postmaster General has made in reaching out at this time to control business activities that Congress did not intend to put into his hands. I think the seizure of the cables was an utterly unjustified proceeding. I go so far as to say that it smacks of bad faith. Congress consented to give certain war powers to the President. Among those war powers were, if there was a war necessity, that he could take the telegraphs and the telephones, and when he took, in the name of the Postmaster General, the telegraphs and telephones there was no general complaint, because we were in the midst of war, and there may have been a justification for the seizure; but when after the war had closed in fact, if not in law, the Postmaster General took possession of the cables, not only those crossing the Atlantic Ocean to countries with which we were associated in the war, but also across the Pacific Ocean, which had no possible relation to the case, I think it was a high-handed outrage, and am frank to say so.

Mr. SMITH of Michigan. The Senator is always frank.

Mr. HITCHCOCK. I think furthermore that it smacked of bad faith. Congress deliberately put the power into the hands of the administration for war purposes; but after the war is over it has been used to gratify the personal convictions, personal opinions, and personal wishes of the Postmaster General.

If he had desired to secure from Congress the right to take over the cables, he should have asked for it. I think there is no justification at all in any reason that has been stated or which can be stated for that seizure.

But I come back to the proposition that, so far as the administration of the post office in this country is concerned during the war, the Post Office Department has acquitted itself reasonably well. The delay in the delivery of the mail of the soldiers in France has, in my opinion, been a very serious breakdown. I have received a great many letters since I called attention to the failure the other day. My attention was called to one case which is only illustrative of many. A family here with a son in France received on the 20th day of December a letter which he had written on the 29th day of October. It was almost two months in getting to them. The times were critical, the war was raging at the time the letter was written; but from the 29th day of October to the 20th day of December the family did not even know whether the boy was alive or dead. That instance is only characteristic of hundreds of thousands of others. There is no excuse for such a business breakdown, because the letter mailed by that boy in France could have reached Bordeaux in two days, and when it reached Bordeaux it could have been transferred to this country in one of the regular dispatches, 18 of which have occurred since the 24th of September. The transportation of mail across the Atlantic has been regular and the boats have been leaving Bordeaux regularly for this country, but the gathering up of the mail in France among the Army there has been utterly neglected.

There may be some excuse for saying that it is difficult to deliver letters to the soldiers in the Army because they have been moved from place to place, but there can not be any excuse when an officer or a private soldier mails a letter in France for this country for that letter taking two months to reach the United States. The delay has been just about as bad and as aggravating in mail coming to this country as it has in that going to France.

Mr. TOWNSEND. Mr. President, before the Senator takes his seat, I should like to read a letter which has reference to what the Senator has said and is saying now, and describes a situation which I think we ought to condemn. If the Senator will permit me, I should like to read the letter.

Mr. HITCHCOCK. I yield to the Senator.

Mr. TOWNSEND. The letter is directed to me, and is as follows:

DETROIT, MICH., *December 20, 1918.*

Senator CHARLES E. TOWNSEND,
Senate Chamber, Washington, D. C.

DEAR SENATOR TOWNSEND: In a recent issue of the Christian Science Monitor, on the editorial page, appears an excerpt from a letter of Secretary of War Baker to Mr. Fosdick. In this letter the Secretary dwells upon the need of keeping up the varied activities for entertaining and amusing our boys abroad in order to preserve their morale. Especially does he urge frequent and cheerful letters from home.

This sounds well, and we all agree with the idea, but as an illustration of the manner in which the Government does its part in the work, I am taking the liberty of writing you of my own experience.

On September 23 my boy, with the Ninety-first Division in France, on the eve before going into action wrote us that he had that day received letters from his mother and sisters. These letters were dated in July and on August 1.

In the battle that followed the boy was wounded, and on October 1 he reached an evacuation hospital, the location of which he was not permitted to give us. While there, in addition to his wound, he had a slight attack of scarlet fever and was isolated for a time. We have had letters from him at intervals of about four weeks, but up to November 20, the date of his last letter, he had not received a single letter from home or this country since September 23; that is, the latest news he had had from us was August 1.

Naturally we have written frequently, especially since we learned that he was in the hospital—an average probably of three letters a week. Further we have sent him drafts on Paris at times, which up to November 20 had not reached him, and, worst of all, he had received no pay from the Government for more than four months. We ourselves have never had official word that he had been wounded.

I am aware that this is not an unusual case. There are hundreds of similar ones, and while the war was actually on we all loyally kept silence and suffered in secret. But now it seems to me that this deplorable situation should be remedied. I am pleased to see in this morning's Washington news that Senator HITCHCOCK is denouncing this incompetence in the Post Office Department. The facts surrounding my son's case are therefore given you as a matter of duty to his mother and myself and to other mothers and fathers who have endured like anxieties.

The mail is the closest connection between the men across seas and their loved ones at home. Feeling confident that your best efforts will be directed toward making this connection much closer than it now is, I am, with kind regards,

Yours, very truly, F. A. PLATT.

I repeat that this is similar to hundreds of letters which are coming in daily to the Members of Congress. It does seem to me now that the people whose sons and loved ones are in beds in hospitals at least should be able to communicate with them through the mail, and that their mail should come back home.

I am very glad for myself that the Senator from Nebraska has taken up this matter, because it is a serious one. It was serious during the war; it is still serious; and something ought to be done to correct the situation.

Mr. PHELAN. Mr. President, I sympathize with the Senator from Washington, who described the conditions in the District of Columbia whereby negroes had resisted the execution of the law, as he contended, and brought spirits into the District. Of course, that is due to the fact that the negroes have been advised by their counsel, and indeed by the courts, that there is no law against importing liquor into the District, and therefore they were fighting, doubtless, for their immemorial right to live under "the reign of law." The police department is trying to enforce something which does not stand upon the statute books, and probably that is the cause of much of the trouble. If it were the law, I am quite sure these negroes would abide by it, or they could be very easily made to abide by it without the show of force.

It is distilled spirits which causes intoxication and leads to lawlessness and crime; and I am sure that there has been imported into this District a quantity of poor liquor that is highly detrimental to those who use it. I have always taken the position that there was no objection on the part of the wine-growing States to the prohibition of spirituous liquor. In view of the fact that wine itself if innocuous, and does not lead to intoxication, and is a table beverage, I move as an amendment to the amendment the insertion of these words:

Provided, That the prohibition contained in said act shall not apply to wine, beer, and ale.

Mr. JONES of Washington. Mr. President, I am glad to have the assurance of the Senator from California that if we do provide by law for preventing these matters, these good people will abide by the law. That is what we are trying to do. That is what we hope to do by the amendment of the Senator from Texas.

The PRESIDING OFFICER. The question is upon the amendment of the Senator from California [Mr. PHELAN] to the amendment offered by the Senator from Texas.

The amendment to the amendment was rejected.

Mr. PHELAN. Mr. President, I do not desire to delay the proceedings, but I have another amendment to suggest.

It may not be known to the Senate that by the provisions of the law as it now stands, as interpreted by the Senator from Texas, there is no power in the citizen of the District of Columbia to export wine which he may have on hand to another community, though it be "wet." I can not understand why such an interpretation should be given to the law, because it should be in the interest of prohibition to permit free exportation. Therefore I move—this certainly is a harmless amendment—to amend the amendment of the Senator from Texas by inserting the following:

Provided, That nothing in said act shall prohibit the exportation of liquors from the District of Columbia.

The object is to give those who have a supply of wines and liquor on hand the opportunity at least of sending it away.

Mr. JONES of Washington. Mr. President, the Senator from California takes a very peculiar position. At the opening of this matter he was very much afraid we would not have an ample supply in the District, and now he wants to get rid of all that may be in existence here.

The PRESIDING OFFICER. The question is on the amendment of the Senator from California to the amendment of the Senator from Texas.

On a division, the amendment to the amendment was rejected.

The PRESIDING OFFICER. The question now is on the amendment of the Senator from Texas [Mr. SHEPPARD].

Mr. HITCHCOCK. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The absence of a quorum is suggested. The Secretary will call the roll.

The Secretary called the roll, and the following Senators answered to their names:

Ashurst	Jones, Wash.	Moses	Smoot
Bankhead	Kellogg	Myers	Sutherland
Borah	Kendrick	Nelson	Swanson
Brandegee	Kenyon	New	Thomas
Fernald	Kirby	Norris	Townsend
Fletcher	Knox	Nugent	Trammell
Gerry	La Follette	Overman	Vardaman
Gronna	Lenroot	Penrose	Warren
Hale	Lewis	Phelan	Watson
Harding	Lodge	Pollock	Weeks
Henderson	McKellar	Pomerene	Williams
Hitchcock	McNary	Shafroth	Wolcott
Johnson, Cal.	Martin, Ky.	Sheppard	
Jonson, S. Dak.	Martin, Va.	Simmons	

During the roll call,

The PRESIDING OFFICER (Mr. MCKELLAR in the chair). I announce the absence of the senior Senator from Tennessee [Mr. SHIELDS] on account of illness. I will let this announcement stand for the day.

After the conclusion of the roll call,

The PRESIDING OFFICER. Fifty-four Senators have answered to their names. A quorum is present. The question is on the amendment of the Senator from Texas [Mr. SHEPPARD]. [Putting the question.] By the sound the ayes seem to have it.

Mr. THOMAS. I call for a division.

Mr. JONES of Washington and Mr. KIRBY called for the yeas and nays, and they were ordered.

The PRESIDING OFFICER. The Secretary will call the roll.

The Secretary proceeded to call the roll.

Mr. BRANDEGEE (when his name was called). Making the same transfer as before, I vote "nay."

Mr. JONES of Washington (when his name was called). I have a pair with the Senator from Louisiana [Mr. RANSDELL]. I am satisfied from his votes in the past that he would vote on this question as I shall vote. Therefore I am going to take the liberty of voting. I vote "yea."

Mr. MYERS (when his name was called). I have a pair with the Senator from Connecticut [Mr. MCLEAN], who is not present. I transfer that pair to the Senator from Louisiana [Mr. RANSDELL] and vote "yea."

Mr. NEW (when his name was called). I have a pair with the junior Senator from Louisiana [Mr. GAY]. I transfer that pair to the senior Senator from New Jersey [Mr. FRELINGHUYSEN] and vote "nay."

Mr. SMITH of Michigan (when his name was called). I am paired with the senior Senator from Missouri [Mr. REED]. Being unable to secure a transfer, I withhold my vote. If at liberty to vote, I should vote "yea."

Mr. STERLING (when his name was called). Again announcing my pair with the senior Senator from South Carolina [Mr. SMITH], I withhold my vote. If at liberty to vote, I should vote "yea."

Mr. THOMAS (when his name was called). I have a general pair with the senior Senator from North Dakota [Mr. MCCUMBER]. I transfer that pair to the senior Senator from Texas [Mr. CULBERSON] and vote "nay."

Mr. TOWNSEND (when his name was called). I have a pair with the senior Senator from Arkansas [Mr. ROBINSON], but I believe if he were present he would vote as I shall vote, and I therefore take the liberty of voting. I vote "yea."

The roll call was concluded.

Mr. GERRY (after having voted in the negative). I have a general pair with the junior Senator from New York [Mr. CALDER]. I understand that on this question he would vote as I would vote, and therefore I shall allow my vote to stand.

Mr. KENDRICK. I have a general pair with the Senator from New Mexico [Mr. FALL]. I transfer that pair to the Senator from Montana [Mr. WALSH] and vote "yea."

Mr. DILLINGHAM. I inquire if the senior Senator from Maryland [Mr. SMITH] has voted?

The PRESIDING OFFICER. He has not.

Mr. DILLINGHAM. I withhold my vote, having a general pair with that Senator.

Mr. SAULSBURY. I have a general pair with the senior Senator from Rhode Island [Mr. COLT]. Not knowing how he would vote on this question, I withhold my vote.

Mr. LODGE. I have been requested to announce the following pairs:

The Senator from West Virginia [Mr. GOFF] with the Senator from Oklahoma [Mr. OWEN];

The Senator from Illinois [Mr. SHERMAN] with the Senator from Kansas [Mr. THOMPSON];

The Senator from New York [Mr. WADSWORTH] with the Senator from New Hampshire [Mr. HOLLIS]; and

The Senator from Kansas [Mr. CURTIS] with the Senator from Georgia [Mr. HARDWICK].

The result was announced—yeas 42, nays 18, as follows:

YEAS—42.

Ashurst	Jones, N. Mex.	Myers	Smith, Ga.
Beckham	Jones, Wash.	Nelson	Smoot
Borah	Kendrick	Norris	Sutherland
Chamberlain	Kenyon	Nugent	Swanson
Fernald	Kirby	Overman	Townsend
Fletcher	Lenroot	Poindexter	Trammell
France	McKellar	Pollock	Vardaman
Gronna	McNary	Pomerene	Warren
Hale	Martin, Ky.	Shafroth	Wolcott
Henderson	Martin, Va.	Sheppard	
Johnson, S. Dak.	Moses	Simmons	

NAYS—18.

Brandegee	Kellogg	New	Watson
Gerry	Knox	Penrose	Weeks
Harding	La Follette	Phelan	Williams
Hitchcock	Lewis	Thomas	
Johnson, Cal.	Lodge	Underwood	

NOT VOTING—36.

Baird	Frelinghuysen	Owen	Smith, Ariz.
Bankhead	Gay	Page	Smith, Md.
Calder	Goff	Pittman	Smith, Mich.
Colt	Gore	Ransdell	Smith, S. C.
Culberson	Hardwick	Reed	Spencer
Cummins	Hollis	Robinson	Sterling
Curtis	King	Saulsbury	Thompson
Dillingham	McCumber	Sherman	Wadsworth
Fall	McLean	Shields	Walsh

So Mr. SHEPPARD'S amendment was agreed to.

Mr. WOLCOTT. Mr. President, I offer the amendment which I send to the desk.

The PRESIDING OFFICER. The amendment will be stated.

The SECRETARY. On page 26, line 12, it is proposed to strike out "on or after April 6, 1917."

Mr. WOLCOTT. Mr. President, I have offered this amendment, and I have given notice that I propose to offer another amendment which strikes out the same language, on page 56, in line 7. What I shall have to say is applicable to both of these amendments. I shall address my remarks, however, to the pending amendment.

The amendment in question has to do with the provision of the bill which undertakes to provide for a case in which there may be an amortization of plant in those industries which were constructed for, or which have to do with, the production of articles contributing to the prosecution of the present war. The language in the section is as follows:

(8) In the case of buildings, machinery, equipment, or other facilities, constructed, erected, installed, or acquired, on or after April 6, 1917, for the production of articles contributing to the prosecution of the present war, and in the case of vessels constructed or acquired on or after such date for the transportation of articles or men contributing to the prosecution of the present war, there shall be allowed a reasonable deduction for the amortization of such part of the cost of such facilities or vessels as has been borne by the taxpayer.

Mr. President, it is my complaint against the language of the bill as drawn by the committee that a distinction is drawn between plants which may be amortized—that is, between plants on the one hand constructed after that date of April 6, 1917, and those on the other constructed before. Those which were erected after that date can amortize the cost under rules prescribed by the Treasury. Those constructed before that date may not amortize.

What is meant by amortization is pretty well understood. Just what sort of plants are intended to be covered by this section I am not prepared to say. The language is very general. You will note that the plants are plants for the protection of articles contributing to the prosecution of the war.

The thought occurs to me that that will include about every sort of plant that has been doing business in this country since the war started. To that I make no complaint, for I rather think that the committee must have intended by that language to embrace a strictly called war plant, plants manufacturing articles directly contributing to the prosecution of the war, and that the Treasury will construe it accordingly. With respect to those plants this provision provides that they may amortize the cost if they were erected since the date of our entrance into the war. The bill, however, ought in the interest of accuracy to narrow the description of plants covered by the provision.

The fact, Mr. President, that a plant which is constructed for war purposes ought to be allowed to amortize it seems to me is a well-settled principle, and it certainly is accepted by the business man who undertakes to transact his business with any view at all to safety. Business practice recognizes it as a sound principle. The Congress itself has recognized it. It recognized the principle in the passage of the munitions tax law of 1916. That law provided substantially that the plant might amortize the cost of construction. The principle is recognized by the Secretary of the Treasury in his letter to the Finance Committee in connection with this bill. The principle is recognized by this bill itself in the section which I undertake to amend. The thing to be said, however, is this, that the committee recognized the principle only in part. It confines its application to plants constructed since this date.

I shall not pause to discuss the merits of the principle. If the principle is good in part it is good in whole. My complaint is, as I said, that an insidious distinction is drawn between plants constructed since we entered the war and those constructed before. If those constructed since are to be allowed to amortize those constructed before should, and if those constructed before are not to be allowed to amortize then none should.

Mr. President, I wish to submit a few views as to why the distinction made by the bill should not be made. Why is there drawn this distinction? A plant constructed since we entered the war, why should it be allowed to repay its extraordinary plant expenditures and a plant constructed before should not?

It seems to me, Mr. President, that if any distinction at all is to be drawn it ought to be drawn in favor of those constructed before this date, for the very plain reason that if it be said that those that were constructed before this date were engaged in a war business, this same further is to be said, namely, that they proposed to make their money out of foreign governments, whereas these plants constructed since that date attempted to make their money out of the United States Government after it became involved in the war. So if there is any disinction between them, if either is to be favored, I submit that the people who got busy before we entered into the war and who were making their profit, whatever it was, out of foreigners ought to be favored as against those who got into their business after we entered the war in order to make their money out of our Government.

It is said, I know, Mr. President, that concerns which expanded before we entered the war got high profits for their products. I refer to the ammunition plants. That is true with respect to some. It is a mistake, however, to assume that all concerns that entered into the war business before this date made money.

There are certain conspicuous exceptions to that of American concerns that made contracts with foreign governments in the expectation of making great profit, but their expectations were grievously disappointed.

In some of these instances they failed to make the expected profits, for the reason that the designs of the articles which they were trying to make or intended to make were changed from time to time by what I might call experimentation, and they suffered great losses and in the end made no money. But when we got into the war, those plants that had thus suffered a loss were in position to supply to our Government effective and efficient articles which had been perfected and on which they had lost their money in perfecting. Therefore, those plants and those concerns are entitled to equitable consideration at the hands of Congress.

But let me take the case of a concern that did make money out of the European war. I call your attention to the fact that it cost them a great deal of money to do it. I am mindful of this fact that if a concern which indulged in vast expenditure by way of expansion in order to meet the demands of European nations prior to our entering this war, it was laying out honest money upon ventures that would not and could not yield profits when the war ceased. Such concerns spent vast sums of money for purely temporary purposes. Before those concerns can be said to have made any money they must, before the war business ended, repay what they had thus spent on temporary plants. Therefore, out of these big profits which they charged they ought, as a matter of justice, be allowed to repay the capital expenditures they made in building the plants. Otherwise their capital at the end of the war would be depleted.

In order to make my point clear in this connection, I am going to take a concrete illustration. I can express it in concrete terms better than in abstract ones. Let me suppose the case of a concern which laid out $10,000,000 for war-plant construction, I will say, in 1916. That outlay had to be made from the capital on hand or from funds borrowed. I shall suppose further that the contract with the allies was such as gave them ample gross profits to pay back this $10,000,000, or that part of it as could properly be considered as its postwar depreciation.

Let me suppose that after the war this $10,000,000 plant would be worthless. This supposition simplifies my point. Of course the plant would not be entirely worthless; it will always be good for scrap or junk. But to illustrate my point, I am supposing the plant would be worthless. Of course it is not worthless, but worth something. Suppose, however, that the plant would be worthless. What I say on that supposition is applicable to a less degree, of course, in case the plant is not entirely useless, but of some value, at least as scrap.

Mr. SMOOT. Mr. President——

Mr. WOLCOTT. I yield.

Mr. SMOOT. I wish to call the Senator's attention to the fact that the bill provides for just such a case as that.

Mr. WOLCOTT. Where, I ask?

Mr. SMOOT. I will call the attention of the Senator and of the Senate to it at the same time. On page 101, in paragraph 4, this provision is found:

> 4. Proper recognition or allowance can not be made for amortization, obsolescence, or exceptional depletion due to the present war, or to the necessity in connection with the present war of providing plant which will not be wanted for the purpose of the trade or business after the termination of the war.

That provision will take care of the case which is cited by the Senator.

Mr. WOLCOTT. Of course the Senator recognizes the fact that a plant is never absolutely worthless. I am supposing the case of a worthless plant to emphasize my point of view.

Mr. SMOOT. I recognize that; but the same provision will take care of cases that occurred before the declaration of war by America on April 6, 1917. The amendment the Senator offers only applies under the deductions allowed in the first place.

Mr. WOLCOTT. The deductions from gross profits.

Mr. SMOOT. The deductions allowed from gross profits. Of course, the same thing applies to partnerships and individuals and corporations, as the Senator has already stated, but the relief provisions take care of such cases. I want to say to Senators now, in studying this bill they must go through it and find whether there are any relief provisions relating to the particular item or not. The bill is full of them, as I have already said.

Mr. WOLCOTT. The language of paragraph 4, to which the Senator refers, is as follows:

> 4. Proper recognition or allowance can not be made for amortization, obsolescence, or exceptional depletion due to the present war, or to the necessity in connection with the present war of providing plant which will not be wanted for the purpose of the trade or business after the termination of the war.

Mr. SMITH of Georgia. It goes back, however, to the previous paragraph, which authorizes a certain amount annually. The Senator has in mind cases where amortization can not be handled. We must go back to the first of the four paragraphs.

Mr. WOLCOTT. I should like to ask the two Senators who are on the Finance Committee if this provision will allow a plant constructed prior to April 6, 1917, to amortize why is it necessary on page 26 and page 56 to forbid the right to amortize. What is the objection to striking that out?

Mr. SMOOT. I will tell the Senator right now, if he desires me to do so. During the years 1914, 1915, and 1916, the contracts that were made between the manufacturers in foreign countries provided a price at which goods were furnished to foreign countries that would cover the cost of the plant, providing it furnished the goods at the price named, at least in some cases, but not in other cases. In other words, if the manufacturer made the contract and had built his plant entirely for the purpose of manufacturing the goods at the end of two years, in many cases the price paid by foreign countries for the goods he manufactured would entirely wipe out the cost of his plant, and whatever profit he made over and above that was his. That happened during those years before America entered the war. In our examination we did find that there were some manufacturers in the United States, and I could mention them, and I may say they could be counted upon the fingers of one hand almost, who did not charge the foreign countries prices that would give them sufficient profit to cover the extra cost of putting up the new plant for the manufacture of goods for the foreign country. This provision that I have cited is the one the committee adopted to meet those few cases.

Mr. WOLCOTT. That is the few who had not made enough to repay the plant constructed.

Mr. SMOOT. Yes; and that is left entirely with the department. The evidence from those concerned must be presented to the Commissioner of Internal Revenue, and it must convince the department that the contracts and prices at which the goods were sold would not produce sufficient profit to cover the expenditures of the amortization of the buildings. I am quite sure the bill as it is drawn and presented will cover all just cases.

Mr. WOLCOTT. The Senator from Utah from his explanation makes clear to me that I was right in my original understanding. The Senator states that a plant that lost money and never could reimburse itself from its contract with a foreign Government is taken care of by paragraph 4, page 101, whereas the concern that constructed the plant prior to this date, but did not lose money, on the other hand made money and made enough to repay the plant construction, can not be allowed now to amortize in full down to the point of very much of its construction, and that was my understanding of the provision.

Mr. LENROOT. Will the Senator yield?

Mr. WOLCOTT. I yield.

Mr. LENROOT. I wish to ask the Senator if his amendment is adopted will not amortization of every steel plant in the United States be valid, every powder plant, and practically every plant engaged in a manufacturing industry in the United States?

Mr. WOLCOTT. I do not know whether it will or not. I do think that the amortization of a portion of those plants will take place, and it ought to take place as a matter of justice. But that is entirely aside from this issue. My contention is that if one should be amortized all should. If any are not to be, none should.

Mr. President, coming to the case of a plant that was constructed, as I assume, in 1916, and made such prices as enabled it to repay itself, which case is covered by the bill, I want to give it some further thought.

It is true that many plants made such a contract with foreign governments as would yield them a profit that would enable them to pay back the cost of the plant. I think it is further true that in administering the law heretofore, the Treasury Department has allowed those plants to amortize a certain percentage of that cost, upon the theory that the war would last perhaps a certain length of time, and the loss would be distributed throughout a period of years. They have provided in their contracts for amortizing the debt. They got the money from foreign governments for that purpose. The Government has heretofore allowed them by way of amortization to repay a portion of their capital laid out in temporary plants, and I think they ought to be allowed to continue that repayment out of their profits.

This bill, however, interrupts the process of repayment. It says from now on they shall not be allowed to repay themselves that capital expenditure to the amount that remains yet to be amortized. That, I say, is not fair; it is not just.

I was supposing that the plant would be worthless after the war.

Now, on that supposition, the $10,000,000 expenditure would be a total loss of capital, unless during the war business the concern made gross profits of an amount sufficient to cover the same. My suppositious concern did make enough money to repay that expenditure and made it out of foreign countries. In that sense the foreigners built the plant. But in a real sense it is accurate to say that the foreigner merely repaid the $10,000,000 which American capital had laid out, and thus saved the American concern from suffering, to that extent, a loss due to the postwar uselessness of the plant it had spent its money on.

This amounts to saying that the American spent $10,000,000 for a plant; that the plant, now that peace is here, is worth less because its earning power ceases with the war; but that the American is no worse off in his capital assets than before because, while he finds a plant worth nothing on his hands, yet he has in his assets $10,000,000 of foreign-paid money to take the place of his original $10,000,000 of expended capital.

Now, Mr. President, that American business man is in a sound situation; he has made sure of the return of his money. His capital is not depleted. He recognized from the start that the expenditure for a war plant was a temporary business and that after the war that business would end and his plant junked. He therefore charged that plant expenditure to operating cost and set the price for his commodity to the foreigner at a figure to cover such cost. Thus he has recovered his $10,000,000 of capital.

Thus far he displayed sound sense and well-approved business judgment and practice.

But, sir, if this bill remains as written his prudence in thus safeguarding his capital will be frustrated by the United States Congress. For his plant having been constructed prior to April 6, 1917, he is told that he may not consider that $10,000,000 as a repayment of operating expense and expenditure. He is not allowed to deduct it from gross income. It therefore is to be treated as net income, and as such it is taxable. If he is in the last bracket class of this bill, the rate on him is nearly 70 per cent. That rate levied on this $10,000,000 makes him pay $7,000,000 to the United States.

Wherefore, we see that now his situation is that he has the valueless plant on his hands—a zero asset—but instead of also having the $10,000,000 of capital that the foreigners paid him for the purpose of replacing his own capital expenditures of that amount he has only $3,000,000, his country taking from him the other $7,000,000. His loss is therefore $7,000,000.

Suppose it be said that this concern made profits on top of the $10,000,000 to cover plant and that that circumstance must be regarded. Very well, sir; let us regard it. What of it? What does it amount to? Why, it amounts to no more than this, that he has made a profit over and above all operating costs; that is to say, he has made some net profit. That being the case, we then find him to be a manufacturer who belongs to the class that would pay taxes. And whatever the Congress determines he should pay on such net income of course he ought cheerfully to pay.

Now, Mr. President, in view of the consideration that I have attempted to thus advance I am forced to the conclusion that the concern which embarked upon war business before April 6, 1917, is not to be distinguished, in applying the amortization principle, from one that embarked on such business since that date, simply for the reason that in the one case the allies were made to cover the plant cost, and in the other the allies were not made to cover such cost.

Indeed, as I suggested a while ago, if there is any distinction to be drawn, the equities are against the concern that started up after April 6, 1917, which planned to look, and must of necessity look, to our own country to repay the plant expense.

Yet this bill as drawn allows the fellow who built his plant since we entered the war to deduct its cost before paying any tax, but disallows the same thing to the one who built before that date and who reimbursed himself from foreigners.

Is there any other reason why this date of April 6, 1917, should be allowed to remain in the bill, drawing a line of demarcation as it does between concerns that expanded to a war footing before that date and those that so expanded after that date? I know of none that can appeal to me, though I am aware of another reason that has been suggested, which seems to find favor in some quarters.

This reason is that plants which started since our entry into the war—that is, since April 6, 1917—did so to help this country in its great extremity, that they were therefore impelled by praiseworthy motives of patriotism, whereas those which got under way before that date were looking for profit, and profit alone.

Now, Mr. President, with respect to this argument I wish to first say that a revenue bill which is designed to raise moneys by way of taxation, and which in so doing undertakes to regard and apply the principles of sound business accounting, must not be regarded as a fitting and appropriate place in which to distribute bouquets and souvenirs for pretended patriotism. Yet if this argument is sound that is what the bill would do.

I employed the term "pretended patriotism." I did so advisedly, for I decline to accept the view that business which sought to work for us upon our entrance into the war sought to perform simply and solely the labors of devoted patriotism. Sir, making money was the motive of those who are taken care of by this date.

I do not say that the thought that they were rendering a service to their country supplied to them no satisfaction. I doubt not it did. But the fact remains that profit was the aim in view, and accumulated fortunes the goal.

No. Mr. President, those coming in after April 6, 1917, were no more patriotic than those who got under way before that date. Why, then, should there be so tender a regard for the late concerns? Why should this insidious distinction be drawn?

Why, sir, the late comers were the business laggards of the country. What were they doing throughout the 32 months of crowded events that preceded this date of April 6, 1917. Keen business men of this country who grasped the situation and sensed the future, who had vision, courage, capital, and the capacity to do things, lost no opportunity to mobolize that part of the forces of American industrial power and resources within their control. They embarked upon programs of unprecedented expansion. They laid out millions upon millions on temporary enterprises. Sir, when the shock of war came, in 1914, its paralyzing stroke was felt the world over. American commerce ceased and American business for the moment was palsied. Prices fell. Labor was out of work and calamity was impending. But this condition did not long prevail. These leaders of American enterprise soon revitalized American industry. They created demands in the commodity markets and gave to labor compensations far beyond the dreams of the most optimistic.

They set the house in order and made it possible for America to assume her present commanding financial place among the nations of the world. In a very true sense they not only brought the world's wealth here, but they saved European civilization from defeat. I say, sir, that in the field of their activities they brought as much glory to American industry as our magnificent armies brought honor to our flag.

And when we came into the war these plants were ready to supply our country. They did not have to be built. They were not in futuro; they were in esse. There was no necessity to wait upon them for 3, 6, or 12 months for munitions and equipment. They were mobilized and ready. These plants that were constructed before this date of April 6, 1917, were prepared to commence production for our country on April 7, 1917. Those that were built since that date were not ready and some not ready yet after the lapse of over one and a half years.

Yet, sir, the slothful ones, under this section, may amortize, while the alert ones may not. Verily the Scripture is being fulfilled, for the last are first and the first are last.

Why should punishment be inflicted on those who were ready to render instant service to the country in its time of need? Why so favorable a regard for those who had to commence to get ready?

I make no complaint against allowing the amortization principle to operate for the new plants. I do make complaint that it is not allowed to operate likewise in favor of the more meritorious ones. Let it apply to all alike or let it apply to none.

Mr. President, on Saturday the chairman of the Finance Committee called attention to the fact that mines, oil wells, gas wells, and lumber mills were allowed amortization to the full extent requested by them, and that plants constructed since April 6, 1917, were allowed to amortize. Every industry, it seems, is allowed to reimburse its temporary capital expenditures except those plants that were constructed by that portion of American business which was the only live part of business in this country prior to our entrance into the war; and it was the only part of business in the whole country that, upon our declaration of war, was able to render immediate present service to the country. I submit the distinction should not be made against them.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from Delaware.

Mr. SMITH of Georgia. Mr. President, I wish to say to the Senator that these provisions of the bill and the suggested amendment of the Senator from Delaware received the most careful consideration from the Finance Committee, and, as I recall, every member of the committee approved what we finally determined to do and what the bill as finally presented to you contains.

We start from our entrance into the war and allow amortization to plants constructed to produce war supplies. There is a provision in the bill that allows in extraordinary cases therein described amortization in the case of plants created before we entered the war. As the Senator from Utah [Mr. SMOOT] says, you can count the extraordinary cases on the fingers of one hand.

Why the distinction? The plants built prior to our entrance into the war were built under contracts with England, France, Italy, and other countries to make certain supplies, and the prices under those contracts covered the cost of constructing the plant and a profit. That was shown as the result of our investigation as to a large number of these plants. Why extend to them an amortization when they had covered the cost of their plants in the profits on contracts?

Mr. WOLCOTT. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Georgia yield to the Senator from Delaware?

Mr. SMITH of Georgia. Yes; but only for a moment, because I wish to finish what I have to say.

Mr. WOLCOTT. I merely wish to make a suggestion to the Senator. Let us suppose that they did get from the allies a sufficient sum of money to enable them to amortize on their books

the cost of their plants. The point is now whether the United States Government will allow them to keep that sum which they have been allowed by way of amortization?

Mr. SMITH of Georgia. I answer that the time has passed and that money is no longer subject to taxation; they have already made it; they made it before this year.

Mr. WOLCOTT. Let me suggest further to the Senator——

Mr. SMITH of Georgia. I wish to get through, so that we may go on with the bill, but I yield to the Senator.

Mr. WOLCOTT. So do I; I do not want to protract the discussion. But I wish to suggest this to the Senator: It is true that they have been allowed an amortization, but not to the full extent that they are entitled to. They have only had two years. They ought to be allowed to continue to the extent allowed under the rules of the Treasury; but this provision intercepts that process.

Mr. SMITH of Georgia. The contracts which they made enabled them to provide for their amortization and to make a profit besides. There was no reason at all to grant amortization privilege to companies existing prior to our entry into the war who had their plants working for foreign countries and who made their contracts at prices which paid them for the entire construction of their plants and a fair profit. We allowed the exemption in a few cases where this was not done, but we guarded carefully the provision.

Now, as to the plants erected since we entered the war, they do not occupy that position. As a rule, their contracts, even with the Government, have contemplated work reaching beyond this year; but the work has been stopped, the Government has canceled the contracts in the case of a great many of them, and they occupy an entirely different position from plants that have completed contracts with foreign countries. If the amendment of the Senator from Delaware were accepted there would be an enormous loss of revenue; if it were accepted there would be more difficulties in administration. All these facts, all these circumstances, studied out in individual cases to reach what was right, were considered by the committee, and I believe the committee unanimously concluded that what we have presented to you was right.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from Delaware.

The amendment was rejected.

Mr. McCUMBER. Mr. President, I do not feel that I would be justified in allowing this bill to pass until I had made an attempt, at least, to cut down the tax upon those things which are necessary, such as clothing. I therefore wish to offer an amendment, on page 200, by striking out lines 12 to 21, inclusive, covering these subjects:

(11) Men's and boys' suits or overcoats, not including uniforms of officers in the military or naval forces of the United States, on the amount in excess of $50 each;

(12) Women's and misses' suits, cloaks, and coats, on the amount in excess of $50 each, or, when made up by a tailor or seamstress, on the amount in excess of $50 in value each;

(13) Women's and misses' dresses, on the amount in excess of $40 each, or, when made up by a tailor or seamstress, on the amount in excess of $40 in value each;

Mr. President, those were the particular items that were taken into consideration by the committee in striking out all of the provision for the taxation of clothing. Those were the particular items a tax on which was thought to be a tax upon necessaries, and not a tax upon luxuries. For instance, Mr. President, there was no objection particularly to a tax on trunks on the amount of cost in excess of $50. You can get a fairly respectable trunk for perhaps much less than that, and when one pays $50 for a trunk he possibly can afford to pay a little tax on the amount over $50.

So also in the case of the next article, traveling bags, on which a tax is laid upon the amount paid in excess of $25. You can get a traveling bag for very much less than $25, even with the excessive prices of to-day, but while you can get a traveling bag for less than $25 you can not get a suit of woolen clothes for less than $50, I do not care where you go to get it and whether it is custom-made or otherwise.

Again, purses, pocketbooks, shopping bags, and handbags costing in excess of $7.50 each. You can buy some of them perhaps for $5, and they will answer the purpose, but you can not buy a woman's coat for $50 if it is a woolen coat. There is quite a difference between an article that is necessary and one which you can get along without.

Again, it is proposed to put a tax on fans on the amount in excess of $1. Well, I have an idea you can buy a palm leaf fan for less than $1, but I do not think you can buy any other kind for less than $1. You can get along with a palm-leaf fan, so far as fanning one's self is concerned, but you can not get along without woolen clothing during the winter months. So, Mr. President, with women's and misses' hats and bonnets. A woman can buy a bonnet or a hat that will answer the purpose of a hat to cover her head for less than $15, even though it may not be a very good one, but it will answer the purpose.

So, too, Mr. President, women can get along without silk stockings; they can probably wear lisle-thread stockings that are just exactly as good, and will be just as comfortable, but boys can not get along without suits and overcoats in the wintertime. Young ladies can not get along without misses' suits, and women can not get along very well without dresses of some kind, and woolen dresses in the winter months of the year.

Mr. President, I simply want to suggest that if we were to levy a tax of 20 per cent on wool everyone would object to it, and yet you are levying this 20 per cent tax on practically every article of woolen goods, because the amounts which you have fixed as the basis of your taxation are such that you will purchase nothing for less than those particular amounts, and therefore you subject everything that you purchase in the line of woolen clothing to a tax.

Again, Mr. President, if I believed that you could buy a good woolen suit for a man for less than $50, I would say, "Tax that which is above $50 at the rate of 10 per cent." If you could buy a woman's coat for less than $50, I would say, "All right; tax that above $50." But when you can not buy either of them for less than $50, why should we levy that heavy tax here?

Mr. SMITH of Georgia. Mr. President, will the Senator allow me to interrupt him?

Mr. McCUMBER. I yield to the Senator.

Mr. SMITH of Georgia. I am going to step out for a moment; and I want to say to the Senator that he understands, of course, that the committee was opposed to all of section 905 and struck it all out?

Mr. McCUMBER. Certainly.

Mr. SMITH of Georgia. So that so far as those of us who were with the Senator are concerned, we have not anything to do with it.

Mr. McCUMBER. Of course.

Mr. SMITH of Georgia. I suggest that the Senator direct his remarks to the Senator from Iowa [Mr. KENYON]. He led the fight to restore this entire section, and it is his fight now with the Senator from North Dakota.

Mr. McCUMBER. I know, but, Mr. President, I felt at least that Senators were influenced in voting against the committee amendment on account of many other things besides the mere item of woolen clothing. What I am trying to do in this amendment is to prevent an extra charge of 20 per cent on woolen clothing for which you have to pay $40 or $50, and you can not get it any cheaper.

The Senator from Wisconsin [Mr. LENROOT] moved to strike out "20 per cent" and make it "10 per cent." Why? If it is a luxury in any sense, of course we should tax it at the rate of 20 per cent, but I do not think the Senator thought it was a luxury, and therefore he moved, and very properly moved, to reduce the tax to 10 per cent instead of 20 per cent. I think we can go a step further upon the particular articles I have mentioned, which are absolute necessaries, and which now cost the American people twice as much as they ought to cost them, without putting a still heavier burden upon them.

Mr. LENROOT. Mr. President, will the Senator yield?

Mr. McCUMBER. I yield to the Senator from Wisconsin.

Mr. LENROOT. The Senator from Wisconsin offered that amendment primarily because even though these were luxuries in the preceding section, the Senate had already adopted an amendment taxing statuary, paintings, and so forth, which clearly are all luxuries, at only 5 per cent; and so long as that was true, the Senator from Wisconsin did not believe it was fair to tax these things 20 per cent.

Mr. McCUMBER. If you tax statuary and those things which are absolute luxuries only 5 per cent, then why, in Heaven's name, should you not let the American people buy the necessaries of life in their clothing without having to pay even 10 per cent in the way of a tax? If you can even purchase automobiles with a tax of only 5 per cent upon them, then give me some good reason why we should compel the American people to pay $10 or $15 extra for a suit of clothes when they can not get them any cheaper than the amount fixed here for the beginning of the tax.

The result of this, as I have stated before, will finally be to increase enormously the consumption of shoddy and shoddy goods, and just to that extent to decrease the use of wool in clothing. I want to encourage the farmer at this time, when he is getting a splendid price for his wool—I might almost say an exorbitant price—to increase the production of wool. I want to see wool used in goods and not shoddy used in them. I know that the result of this extra tax will be that more shoddy will be put in goods to bring them below the price named in the

provision, and you will make the ultimate consumer pay enormously more in the course of the year for the goods that he will buy than you would without this tax, because the cheaper goods will not wear like the good woolen goods; and I, at least, felt it my duty to do what I could to protect the overburdened American people from paying too much for woolen goods. Therefore, I limit my amendment to those three subdivisions.

Mr. KENYON. Mr. President, I only want to say a word, because I am disinclined to detain the Senate at this hour, and we have had this question argued pretty thoroughly here this afternoon.

The impression left by the Senator's speech would be that we are taxing the whole value of these articles. We must always keep in mind that it is only the excess above $50 that is taxed for women's suits or men's suits. Then comes the tax.

The Senator says that no proper clothing can be bought for those prices. I have here the Washington Star of to-night, and also of a few nights ago. Among the advertisements in the Star that I looked over a few minutes ago, here are $50 broadcloth and plush coats, now marked down to $25. Here are wool Shetland sweaters, $7.95, specially priced; sweaters in cardigan stitch, whatever that is, and fancy weaves, shown in all the new color combinations, such as "Wilson," with collar and cuffs of "Rome Green"; "Rome," with pastel stripe on collar and cuffs; "Wilson," combined with "Democracy"; "Rome," combined with "Glory." Also combinations of admiral blue, Pershing tan, Foch blue and freedom—only $7.95 for all that. Things surely are coming down.

It is just a question whether we are willing to tax these things that are sold at extravagant prices. I know, and everybody knows, that clothing is high, but it probably will not stay there.

Here are other advertisements—women's and misses' coats, $29.50; and in the Star to-night, women's pajamas, $7.50—I do not know what those are—and kimonas, and men's pajamas. All those things seem to be marked down now and appear to be getting down to somewhere near reasonable prices.

I am not going to argue this question. We have had the argument before.

Mr. McCUMBER. Mr. President, I want to ask the Senator, if he will allow me, will he guarantee that these are woolen goods?

Mr. KENYON. No; I do not know anything about any guaranty. I will not make any guaranty. That is an utterly foolish question.

Mr. McCUMBER. Of course you can buy almost any kind of shoddy thing for almost any kind of a price; but I am speaking of the woolen goods that the people of the United States are entitled to have.

Mr. KENYON. The ground of my opposition to the Senator's amendment is this: Take dresses that cost two and three hundred dollars, that can be bought only by the rich people of the country, and suits of clothes costing up in the eighties and around a hundred dollars. If people buy those things they are able to pay the tax without any special irritation, and I think they are perfectly willing to do it. The "poor working girl" argument has been paraded before us, but I do not think you will find many of them buying $10 silk hose and fancy dresses at large prices. There is a good deal of nonsense about that argument. All I am going to ask for is a yea-and-nay vote on this proposition. My desire is to see snobbery and ostentation taxed.

The PRESIDING OFFICER. The Senator from Iowa demands the yeas and nays. Is the request seconded?

The yeas and nays were not ordered.

Mr. KENYON. I suggest the absence of a quorum.

The PRESIDING OFFICER. The Secretary will call the roll.

The Secretary called the roll, and the following Senators answered to their names:

Bankhead	Jones, Wash.	Nelson	Smith, Md.
Brandegee	Kellogg	New	Smith, Mich.
Chamberlain	Kendrick	Norris	Smoot
Dillingham	Kenyon	Nugent	Spencer
Fletcher	Kirby	Overman	Sterling
France	Knox	Penrose	Sutherland
Gerry	La Follette	Phelan	Swanson
Gore	Lenroot	Poindexter	Thomas
Gronna	Lodge	Pollock	Townsend
Hale	McCumber	Saulsbury	Trammell
Harding	McKellar	Shafroth	Warren
Henderson	Martin, Ky.	Sheppard	Watson
Hitchcock	Martin, Va.	Simmons	Weeks
Johnson, S. Dak.	Moses	Smith, Ariz.	Williams
Jones, N. Mex.	Myers	Smith, Ga.	Wolcott

The PRESIDING OFFICER. Sixty Senators have answered to the roll call. There is a quorum present.

Mr. KENYON. I ask the Presiding Officer if he will not submit the request again to the Senate for a yea-and-nay vote.

The PRESIDING OFFICER. A yea-and-nay vote is requested. Is the demand seconded?

The yeas and nays were ordered, and the Secretary proceeded to call the roll.

Mr. JONES of Washington (when his name was called). Again announcing my pair with the senior Senator from Louisiana [Mr. RANSDELL], I withhold my vote.

Mr. MYERS (when his name was called). I have a pair with the Senator from Connecticut [Mr. McLEAN], who is absent. In his absence I transfer that pair to the Senator from Arizona [Mr. ASHURST] and vote "nay."

Mr. NEW (when his name was called). Transferring my pair with the junior Senator from Louisiana [Mr. GAY] to the senior Senator from New Jersey [Mr. FRELINGHUYSEN], I vote "yea."

Mr. STERLING (when his name was called). Again announcing my pair with the Senator from South Carolina [Mr. SMITH], I withhold my vote.

The roll call was concluded.

Mr. GERRY (after having voted in the affirmative). I have a general pair with the junior Senator from New York [Mr. CALDER]. I transfer that pair to the Senator from Nevada [Mr. PITTMAN] and let my vote stand.

I wish also to announce that the Senator from Delaware [Mr. SAULSBURY] is necessarily absent on important public business and that he is paired with the Senator from Rhode Island [Mr. COLT].

Mr. KNOX (after having voted in the affirmative). I voted not noticing the absence of my pair, the Senator from Oregon [Mr. CHAMBERLAIN]. I transfer my pair to the Senator from Vermont [Mr. PAGE] and let my vote stand.

Mr. BRANDEGEE. Making the same transfer previously announced, I vote "yea."

Mr. HARDING. I transfer my pair with the Senator from Alabama [Mr. UNDERWOOD] to the Senator from Oregon [Mr. McNARY] and vote. I vote "nay."

Mr. KENDRICK (after having voted in the affirmative). I transfer my pair with the Senator from New Mexico [Mr. FALL] to the Senator from Montana [Mr. WALSH] and let my vote stand.

Mr. LODGE. I have been requested to announce the following pairs:

The Senator from Rhode Island [Mr. COLT] with the Senator from Delaware [Mr. SAULSBURY];

The Senator from Kansas [Mr. CURTIS] with the Senator from Georgia [Mr. HARDWICK];

The Senator from West Virginia [Mr. GOFF] with the Senator from Oklahoma [Mr. OWEN];

The Senator from Illinois [Mr. SHERMAN] with the Senator from Kansas [Mr. THOMPSON];

The Senator from Michigan [Mr. SMITH] with the Senator from Missouri [Mr. REED];

The Senator from Michigan [Mr. TOWNSEND] with the Senator from Arkansas [Mr. ROBINSON]; and

The Senator from New York [Mr. WADSWORTH] with the Senator from New Hampshire [Mr. HOLLIS].

The result was announced—years 35, nays 17, as follows:

YEAS—35.

Bankhead	Knox	New	Sutherland
Brandegee	Lenroot	Overman	Swanson
Dillingham	Lodge	Penrose	Thomas
France	McCumber	Phelan	Warren
Gerry	Martin, Ky.	Simmons	Watson
Gore	Martin, Va.	Smith, Ariz.	Weeks
Henderson	Moses	Smith, Ga.	Williams
Jones, N. Mex.	Myers	Smoot	Wolcott
Kendrick	Nelson	Spencer	

NAYS—17.

Fletcher	Kenyon	Nugent	Sheppard
Hale	Kirby	Poindexter	Trammell
Harding	La Follette	Pollock	
Johnson, S. Dak.	McKellar	Pomerene	
Kellogg	Norris	Shafroth	

NOT VOTING—44.

Ashurst	Fernald	Lewis	Shields
Baird	Frelinghuysen	McLean	Smith, Md.
Beckham	Gay	McNary	Smith, Mich.
Borah	Goff	Owen	Smith, S. C.
Calder	Gronna	Page	Sterling
Chamberlain	Hardwick	Pittman	Thompson
Colt	Hitchock	Ransdell	Townsend
Culberson	Hollis	Reed	Underwood
Cummins	Johnson, Cal.	Robinson	Vardaman
Curtis	Jones, Wash.	Saulsbury	Wadsworth
Fall	King	Sherman	Walsh

So Mr. McCUMBER's amendment was agreed to.

Mr. HALE obtained the floor.

Mr. SMOOT. Will the Senator allow me just a moment?

Mr. HALE. Certainly.

Mr. SMOOT. I want to perfect this amendment. I call attention to the fact that there must be another amendment in

the House provision now that the amendment has been adopted. On page 202, beginning in line 4 with the last word "As," I move to strike out all down to and including the word "dresses," in line 7. It reads:

As used in this subdivision the term "vendor" includes a tailor or dressmaker making up women's or misses' suits, cloaks, coats, or dresses.

Now that those paragraphs have been eliminated, I move to strike out these words.

Mr. SIMMONS. I was going to say that necessarily those words should go out.

The PRESIDING OFFICER. The question is on the amendment of the Senator from Utah.

The amendment was agreed to.

Mr. HENDERSON. Mr. President——

The PRESIDING OFFICER. Does the Senator from Maine yield to the Senator from Nevada?

Mr. HALE. I yield.

ASSESSMENT WORK ON MINING CLAIMS.

Mr. HENDERSON. There is a very important joint resolution which has just passed the House of Representatives this afternoon and is now on the Presiding Officer's desk. I ask unanimous consent to have it laid before the Senate at this time and put on its passage.

The PRESIDING OFFICER laid before the Senate the joint resolution (H. J. Res. 372) to amend Senate joint resolution No. 78, approved October 5, 1917, entitled "Joint resolution to suspend requirements of the annual assessment work on mining claims during the years 1917 and 1918, which was read the first time by its title and the second time at length as follows:

Resolved, etc., That the provisions of Senate joint resolution, approved October 5, 1917, be amended so as to provide that the time for filing notices to hold said mining claims in the Territory of Alaska, under the said resolution, be, and the same is hereby, extended to the 1st day of April, 1919

Mr. HENDERSON. I ask that the unfinished business be temporarily laid aside and I ask unanimous consent to consider this joint resolution. It will take only a moment. There will not be any debate on it and it is a very important matter.

Mr. SIMMONS. I shall not object, providing there is no debate.

The PRESIDING OFFICER. Is there objection to the present consideration of the joint resolution?

Mr. LENROOT. Before consent is given I would like to know what the measure is.

Mr. HENDERSON. It simply provides that under the joint resolution passed two years ago suspending assessment work on mining claims during the years 1917 and 1918 the time for filing a notice which expires January 1 shall be extended for the period of three months for Alaska on account of the influenza and the difficulty of getting the notices sent there.

Mr. SIMMONS. It has passed the House?

Mr. HENDERSON. It has passed the House, and came over this afternoon.

Mr. JONES of Washington. Mr. President, I hope the joint resolution will be passed, but I just want to express my regret that while we can get action promptly upon a matter of this kind concerning property rights we are unable to get action on a bill to extend aid to the people there who are dying.

There being no objection, the joint resolution was considered as in Committee of the Whole.

The joint resolution was reported to the Senate without amendment, ordered to a third reading, read the third time, and passed.

THE REVENUE.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 12863) to provide revenue, and for other purposes.

Mr. HALE. I offer an amendment to the bill to come in on page 197, line 4: Before the word "canoes," I move to insert the word "pleasure." The bill now provides——

Mr. SIMMONS. I will state to the Senator that we have considered that matter; I have conferred with other members of the committee, and we will accept the amendment.

The amendment was agreed to.

Mr. KIRBY. I desire to offer an amendment.

The PRESIDING OFFICER. It will be read.

The SECRETARY. After section 1407 insert:

SEC. 1408. That it shall hereafter be unlawful for the United States of America to make any loan of money, bonds, or credit to any other nation, government, power, or people, or the representative thereof or to purchase the securities, bonds, or credits of such nation, government, power, or people except as it may become necessary to do so in order to adjust, collect, and realize upon the loans already made to and bonds and securities acquired of such nation, power, or government unless and until the Secretary of the Treasury is first thereunto duly authorized by act of Congress.

Mr. KIRBY. Mr. President, this is an amendment of some moment, and it seems to me might well be put upon this bill raising revenue. The people of our country are heavily taxed. They have responded liberally to the loan of money to our Government, both in war stamps and in bonds. They are now taxed heavily and are going to continue to be taxed heavily, and it seems to me the time has come when we should quit lending the money of the United States of America to other Governments, powers, or peoples. We have loaned all the moneys that are necessary to carry all the Governments with whom we were associated in the war to a successful completion of it. The war is ended, and this is a time, in my opinion, when we should end lending the money of the people raised by taxation to other Governments of the earth.

This does not prevent lending money as may be necessary to realize upon the loans that have heretofore been made to these Governments, but it would prevent the lending of any money to any other Government for any purpose whatever until the purpose was first disclosed to Congress and the consent of Congress obtained to the particular loan desired. It seems to me the time has come when we ought to do something of this kind, and on that account I propose this amendment here to-day.

Mr. WEEKS. Mr. President——

Mr. KIRBY. I yield to the Senator.

Mr. WEEKS. I suggest to the Senator from Arkansas that the Government owns several million dollars worth of property in France. It is the purpose, I understand, to try to sell that property to European Governments. Would the Senator's amendment prohibit taking bonds for that property if it were sold?

Mr. KIRBY. Not at all, as I understand it. It is to lend the money in the Treasury here and take bonds or purchase securities out of the Treasury. I do not think that ought to be done, and I believe the time has come to stop it. If there exists any great necessity for any further lending of credit or of money by the Government, it ought to be brought to Congress and the consent of Congress first obtained to do it.

Mr. WEEKS. I think I am in agreement with the Senator about that, but I believe it would be unfortunate if we were prevented from receiving any payment for our property over there in the bonds of other countries.

Mr. KIRBY. This will not do that. It has no purpose of that kind, and its effect can not be such.

Mr. SIMMONS. Mr. President, I earnestly hope this amendment will not prevail. I think it would be a most embarrassing thing to do at this time. I am advised by the Secretary of the Treasury to-day that it would be most embarrassing and would prevent the Government from doing things absolutely necessary under present circumstances. The war has not closed yet, but when it has closed all authority of the Secretary of the Treasury to advance money to the allies will have passed. Congress is at this time considering legislation with reference to loans to certain of our allies after the war has closed.

The Secretary of the Treasury who has just relinquished his office—Secretary McAdoo—recommended to the House of Representatives legislation of that character. That body is considering that legislation in committee, I understand, right now. When the Secretary of the Treasury appeared before the Finance Committee he said that when the war closes it would be necessary, in his opinion, if we were unable ourselves to sell to some of our allies, especially to Belgium and France, materials which they would absolutely need and which they could not get elsewhere, in order to carry on the work of reconstruction, authority ought to be given to do that, because if it were not given it would be impossible for us to sell them the material and the supplies which they would need for these purposes. He presented to the committee a very strong statement. He showed the committee, and he showed them nothing more than what we would have known if we had thought about it, that the countries now needing or presently to need great quantities of supplies are not in a financial position to buy and pay for these things in cash, and when we loan them money for the purpose of buying those goods in this country we would simply enable the business people of this country to furnish them the supplies, and for the money that we advance them to pay our business people we would be advancing Government securities that were as good as could be found probably in the markets of the world.

Mr. President, if we do not permit the Government to loan at all after the war closes, our business people will not be able to supply these goods, and our allies will not be able to get them anywhere else.

No money is lost; no money is jeopardized. We simply enable our people, the producers of this country, to sell these goods, and we get abundant security for the money that we advance.

I do not think that anything could be more unwise than to suddenly cut off the splendid trade which the business people of this country have a right to expect and which they can get without losing or even jeopardizing a dollar of American money; and, as the Senator from Maryland [Mr. SMITH] suggests to me, it does not increase the tax, because the bonds which we get from them for the money which we advance go immediately into the hands of our own people. It will not be a burden to us so far as interest charges are concerned, because those will be met in due time by the governments from whom we get the bonds, and in the end our principal will be returned.

Mr. President, I do not wish to prolong the discussion, but I do sincerely trust that this amendment will not prevail.

Mr. LODGE. Mr. President, I do not mean to prolong the debate a moment. The Senator from North Carolina [Mr. SIMMONS] has covered the case. It seems to me it would be most unfortunate in every way at this time to pass a general law that we would not extend any further credit to the nations with whom we have been associated in the war against Germany. It is extending a credit, it is not giving them money. I think now, with peace negotiations just coming on, to adopt such an amendment as this would be most unfortunate.

Mr. GORE obtained the floor.

Mr. KIRBY. Mr. President——

Mr. GORE. I yield to the Senator from Arkansas.

Mr. KIRBY. Mr. President, we agreed to extend credit and to loan money to our allies during the emergency and because of the necessity for so doing. The necessity was great; it was urgent. We have loaned them money until the war has been brought to a successful conclusion. Now it is proposed to establish nations on the other side of the world. It is proposed to rehabilitate great Russia, that once mighty empire yonder, which is destroyed, dismembered, impotent, and is now being harassed and overrun by bandit hordes of Czecho-Slovaks swinging down through that country.

Is it our business and our policy here to lend the nations that are going to be cut out of other territory money with which to stand upon their feet, in the hope that they may pay it back hereafter? To tax our people to the last limit to get the money to lend to them?

Mr. JONES of New Mexico. Mr. President——

The PRESIDING OFFICER. Does the Senator from Arkansas yield to the Senator from New Mexico?

Mr. KIRBY. Yes.

Mr. JONES of New Mexico. I merely want to call the attention of the Senator from Arkansas to a little business arrangement which was reported to have been made recently. It is now well known that our disbursements in Europe are very large, and so there has been an exchange of credits. We have made an advance of a quarter of a billion dollars just in the last few days to our European allies, and, in turn, they have made advances to us over there for a similar amount. But the right to make advances must exist in order to carry out a transaction of that kind. I assume that there will be a number of just such transactions as that while our expenditures in Europe are so very large.

Mr. KIRBY. The purpose of my amendment is not to prevent that nor our collection of any loans or realizing upon any credits which we have found it necessary to make to our allies heretofore; it will have no effect to do that; but it is to prevent the loaning to these other Governments after the war has ended of money that must be collected by taxation from our people unless the necessity is so great that the Secretary of the Treasury can come here and say, "I desire to extend this much credit and I desire the permission of the Government to do it," and convince the Congress of the necessity therefor, it should stop. The time has come, in my judgment, when we should quit levying high taxes upon our people to lend the money to the other nations.

Mr. GORE. Mr. President, I wish to say that I am unable to agree with the Senator from Arkansas [Mr. KIRBY]. I rather agree with the Senator from Massachusetts [Mr. LODGE] and with the chairman of the Committee on Finance [Mr. SIMMONS]. In my judgment it is neither to our own advantage nor is it to the advantage of the peoples of Europe that they should live in a world of wreck and ruin and devastation. It is to their advantage, as it is to our advantage, that Europe should be rebuilded as rapidly as possible. We can facilitate the reconstruction of Europe by advances of credit. This will inure to their advantage, as it will to ours. If those countries and those peoples are obliged to rely upon the slow processes of accumulating capital in order to rebuild and to reconstruct their countries, it will postpone their prosperity, and it will inevitably lead to a long period of industrial depression both in Europe and in the United States.

The purchasing power of Europe has been seriously reduced; it has been almost destroyed during the course of this war. It is estimated, I believe, by Mr. Schwab, that Europe will require $6,000,000,000 worth of iron and steel for purposes of reconstruction. There is a vast market. To supply that market will be to our own interest; it will be even more to the interest of those countries which have been so seriously crippled. Half the world is to-day naked and hungry; half of Europe is but half clad and half fed. These elemental needs ought to be supplied. They ought to be largely supplied by the farmers of the United States. If they have purchasing power, and if we can sustain their purchasing power, it will constitute an effective demand for the farm products of the United States. That will insure prosperity to our farmers, which is a large guaranty of prosperity to every productive class and to every industry in the United States.

I should regard it as a serious mistake to withhold credit or purchasing power from those depressed people. It is not only to our advantage—waiving the question of duty, or rather of humanity—but it is a matter of the highest industrial and commercial concern to the people of the United States and to all of the peoples in Europe.

Mr. BRANDEGEE. Mr. President, before the question is taken on the amendment I desire to see if I understand the situation correctly. I understand that about $8,000,000,000 has been authorized by Congress to be loaned. Is that correct?

Mr. SIMMONS. The loan of about $10,000,000,000 has been authorized, about $8,000,000,000 of which have already been loaned.

Mr. BRANDEGEE. Then, there is something like a billion and three-quarters in money which could be loaned in the future without further legislative authority.

Mr. SIMMONS. Yes; but there will have to be further legislation to make any loans after the war.

Mr. BRANDEGEE. But the end of the war will be indicated, I assume, by the proclamation of the President that the war has ceased. The effect of the amendment of the Senator from Arkansas [Mr. KIRBY], then, would be to withdraw the authority already granted as to the loaning of the remainder of that money.

Mr. SIMMONS. Undoubtedly, that would be the effect of the amendment.

The PRESIDING OFFICER. The question is on the amendment proposed by the Senator from Arkansas [Mr. KIRBY].

The amendment was rejected.

Mr. JONES of New Mexico and Mr. THOMAS addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. JONES of New Mexico. I call up an amendment which has heretofore been offered by me, and ask that it be stated by the Secretary.

The PRESIDING OFFICER. The amendment offered by the Senator from New Mexico will be stated.

The SECRETARY. On page 30, line 23, at the end of the line, it is proposed to strike out the semicolon and insert a colon and the following proviso:

Provided, however, That any taxpayer who is the head of a family shall be entitled to deduct from his gross income such sum or sums of money as he may have actually expended during the taxable year as rent for residence purposes for himself or family, but not in excess of a sum of $1,000.

Mr. JONES of New Mexico. Mr. President, the proposition presented by this amendment is very simple. If an individual, partnership, or corporation owns its place of business it is not charged up with the rental value of that property as income. If a partnership, individual, or corporation does not own its place of business it is entitled to deduct from its income the rent of the premises in which it does business, so as to put it on a parity with the business where the buildings and plant are owned by the operating interest. What this amendment does is this: Under the bill as it is now framed, if a man owns his home he occupies it without being charged anything for its rental value. If he does not own his home he is not permitted to deduct from the income the rent which he has got to pay to house his family. The amendment is for the purpose of putting individuals on an equality as to residence precisely in the same way as we put business on an equality as to place of business.

I shall not discuss the matter at length. In a good many jurisdictions where they have income taxes they do just the other thing; they charge the owner with the reasonable rental value of the property, the farmer with the reasonable rental value of the house on the farm, and so on. I do not think that ought to be done. I think the system which the committee has adopted with reference to business is the proper one, and I am simply seeking to extend that to the individuals who labor,

who live upon salaries, and who do not own their homes. I ask for a vote on the amendment.

Mr. SIMMONS. Mr. President, the present law and also the pending bill do not allow deductions for personal living or family expenses. If this deduction is allowed, then I do not see any reason why personal living and family expenses generally should not be also allowed.

Mr. JONES of New Mexico. Mr. President, I should merely like to state that I am simply proposing to allow as a deduction the item of rent alone, because as to other family expenses the man who owns a house has to pay them just the same as the man who does not own a house.

Mr. SIMMONS. The man who owns a house is not allowed to deduct interest upon the investment in the house.

Mr. SMOOT. Mr. President, this amendment, if adopted, means simply this, that it would be far better for a man never to own a home than to own one; or, in other words, the man who must rent a house has no investment whatever in it, pays no taxes on it, has no upkeep to provide for it, and pays no insurance upon it; but the man who owns a home is compelled to pay the expenses of all those items; and, besides that, he has got his money tied up and receives no income whatever from it. It seems to me the amendment is so foreign to what would be just and right that the Senate can not possibly agree to it.

Mr. JONES of New Mexico. Mr. President, I do not think that this question can be settled by a mere wave of the hand.

Mr. SMOOT. It can be by a vote.

Mr. JONES of New Mexico. According to the Senator from Utah, a man who owns a building in which he conducts his business has no advantage over the man who does not own the building in which he conducts his business, because he has to pay the upkeep of it, and he is also out of the use of the money invested in it; but in the case of business the man who does not own his building deducts the rent from his income. If there is no advantage in the one case, why have the provision exempting rent in the other? I submit, Mr. President, that this is but a matter of simple justice. If a man did not have his money in his residence he would have it invested in something else, and would get an income from that something else, and he would be paying a tax upon that income.

Mr. SMOOT. The Senator has asked a question and I shall simply undertake to answer it. The man who owns his own building and does business in that building has paid for it; it is a part of his capital, and he is allowed an exemption upon it, and, of course, if a man does not own the building whatever he pays as rent he is allowed upon it; but the man who owns the building is allowed an exemption upon it before any tax ever applies. That is the difference between the two cases.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from New Mexico [Mr. JONES].

The amendment was rejected.

Mr. POLLOCK. Mr. President, I offer the amendment which I send to the desk and ask to have read.

The PRESIDING OFFICER. The amendment will be stated.

The SECRETARY. At the end of the bill it is proposed to add a new section as follows:

SEC. 1408. That the members of the various district and local boards who acted under the selective-service-draft act throughout the United States be, and are hereby, extended the thanks of Congress for their patriotic services to the country; and the Secretary of War is hereby directed to cause to be prepared and filed with the records of the War Department a complete and permanent record of the names of all those who so served, and that the Secretary of War is hereby directed to cause suitable bronze medals to be prepared and presented to all who so served.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from South Carolina. [Putting the question.] By the sound, the "noes" seem to have it.

Mr. POLLOCK. I ask for a division.

On a division, the amendment was rejected.

Mr. JONES of New Mexico. Mr. President, I have two other amendments here. I can explain the purpose of them very readily. I have previously pointed out some advantages in making returns as corporations. I also pointed out wherein individuals, under certain circumstances, have advantages over corporations in making their tax returns. I am sure that we ought to make all business of the same kind as nearly equal and competitive as we can, and if there is any advantage in an individual or a partnership making a return as a corporation he ought to have the privilege of doing it, because by so doing he only puts himself on an equality with his competitor. Likewise, if a corporation finds that it is more advantageous for the stockholders to make a return as a partnership, I do not see why that should not be done. I pointed out the other day very gross inequalities simply because one concern happened to be a partnership and the other happened to be a corporation. There is no administrative difficulty in the way, because this bill only affects the mere matter of returns, and in the bill now we provide that certain corporations may make returns as partnerships. I will ask merely to have one of the amendments read, and will abide by the result upon that amendment so far as the other is concerned.

Mr. SIMMONS. Mr. President, I do not desire to discuss this amendment, but simply to say that the purpose of the amendment is to allow any individual or corporation to select the most favorable way of being taxed.

The PRESIDING OFFICER. The Secretary will state the amendment offered by the Senator from New Mexico.

The SECRETARY. It is proposed to add to the bill a new section, as follows:

SEC. 229. That any individual or partnership carrying on a trade, business, or profession may in respect to the income derived from such trade, business, or profession, elect to be taxed as a corporation, and file return accordingly. In such case such individual or the members of the partnership shall not be subject, in respect to such income, to the taxes imposed by this title and Title III upon individuals and partnerships, but shall be subject to the taxes imposed by such titles upon corporations.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from New Mexico.

The amendment was rejected.

Mr. JONES of New Mexico. Mr. President, I have another amendment to offer, which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The Secretary will state the amendment.

The SECRETARY. On page 95, at the end of line 12, it is proposed to strike out the period and to insert "and not including for the taxable years 1918 and 1919 any surplus or undivided profits earned since December 31, 1916."

Mr. JONES of New Mexico. Mr. President, I can explain this amendment in a very few words. Although it is a very important amendment, and will raise something over $100,000,000 of revenue, to my mind it is nothing but in a small way bringing about justice for a grave discrimination which exists under the present law.

For the taxable year 1917, individuals, partnerships, and corporations all paid the same excess-profits tax. Individuals and partners paid surtaxes on all of their profits, whether they were taken out of the business or not. Corporations paid no surtax; and only the profits of the corporation which were distributed in dividends have as yet become subject to any surtax. As a matter of dollars, the corporations in 1917 earned about $10,000,000,000. After paying their taxes and after distributing their dividends they retained as undistributed profits, taxed only by the tax of 6 per cent which was provided, $4,000,000,000, and that money has been left in their treasuries. That $4,000,000,000 has not only escaped any surtax but under this bill they add the $4,000,000,000 to their capital, and under this bill exempt the 8 or 10 per cent—whichever form of tax it comes under—on the $4,000,000,000. They have kept it from paying any surtax to begin with; they now add it to capital, and get it exempted under this bill, before they pay any excess or war profits taxes on it now; and this is only in a very small way making those dollars pay what the dollars of the individual or partnership have already paid. It will bring in about $100,000,000 of revenue for this year, and it will bring in about $100,000,000 of revenue for next year.

Mr. SIMMONS. Mr. President, I do not wish to discuss this amendment. I will simply say that under the definition of "invested capital" in the bill paid-in or earned surplus and undivided profits constitute a part of invested capital; and what this amendment provides is that while the invested, paid-in, and earned surplus of every other year shall constitute part of invested capital the surplus and undivided profits of 1917 shall not constitute a part of it.

The PRESIDING OFFICER. The question is on the amendment of the Senator from New Mexico.

The amendment was rejected.

Mr. GORE. Mr. President, I wish to say that I was absent when certain sections were considered and adopted by the Senate to which I desire to offer an amendment. I have conferred with the chairman of the committee and have decided to ask unanimous consent that I may offer the amendments now. It will obviate the necessity of offering them in the Senate.

The PRESIDING OFFICER. The Senator from Oklahoma asks unanimous consent to offer an amendment which will be stated by the Secretary. Is there objection? The Chair hears none, and the amendment will be stated.

The SECRETARY. The Senator from Oklahoma offers the following amendment to section 311, on page 89:

Strike out:

"(2) An amount equal to the average net income of the corporation for the prewar period, plus or minus, as the case may be, 10 per cent of the difference between the average invested capital for the prewar period and the invested capital for the taxable year."

And insert in lieu thereof:

"An amount equal to the average net income of the corporation for the prewar period, plus or minus, as the case may be, the same percentage of the difference between the average invested capital of the prewar period and the invested capital for the taxable year as the average net income of corporations engaged in a trade or business of the same general class as that conducted by the taxpayer for the prewar period was of average invested capital for the prewar period: *Provided*, That in no case shall such percentage exceed the percentage of the net income of the taxpayer for the prewar period of the average invested capital for the prewar period."

Mr. GORE. Mr. President, I appreciate and I fully sympathize with the desire of the Senate to pass this bill to-night. I also appreciate the difficulty, the impossibility, of the Senate understanding an intricate amendment of this character when read from the desk. I shall, however, abbreviate my explanation of it, because I wish to facilitate the passing of the bill.

Of course no taxation bill can realize ideal or poetic justice. All that we can do is approximate a crude sort of justice, avoiding intended or avoidable injustice or inequalities. It sometimes happens, however, that even low taxes, if they are unequal, are more oppressive than high taxes if equal. Low taxes that discriminate in favor of one competitor and against another may ruin the one and enrich the other, whereas high taxes that are equal will not inflict any such imposition or burden upon either. One of the paramount considerations in passing a measure of this sort is to avoid inequality of burdens as between competitors in the same industry.

If the Senate will indulge me for one moment, in imposing the tax upon war profits we have adopted as the prewar period the years 1911, 1912, and 1913. Corporations have been given as an exemption the average net profits during the prewar period. That is, of course, a matter of obvious justice; but for corporations organized since the prewar period an artificial basis must be adopted. The committee has recommended as exemption for corporations organized since the prewar period the average net profits of corporations engaged in a like or similar business. I think that is the fairest standard which could have been agreed upon.

The inequality arises, Mr. President, with respect to corporations that did business during the prewar period and which have added to their investment since the close of that period. The exemption allowed upon this capital newly invested is only 10 per cent.

Now, take a case. Take a corporation that was doing business during the prewar period, making an average profit of 20 per cent, and let us assume that the average profit for like industries is also 20 per cent. Now, a new corporation organized since the prewar period would be entitled to an exemption of 20 per cent, based on the average profits of like industries; but a concern, we will say, that was capitalized at $50,000, operating during the prewar period, and realizing a profit of 20 per cent, has added $450,000 of new capital to its business. Upon this $450,000 of capital newly invested it is entitled to an exemption of only 10 per cent, or $45,000. Take an entirely new concern which has been organized since the prewar period, capitalized at $500,000. It will be allowed an exemption of $100,000, because the average net earnings of like industries are 20 per cent. Now, there is a serious discrepancy between like industries.

They may be competitors; their plants may be just across the street from each other; and yet the one, simply because it existed during the prewar period, is penalized to the extent of $55,000, and the new concern is rewarded to the extent of $55,000.

Now, that is a disparity, a disproportion of burden, that ought not to be imposed upon competing concerns. It would have been much better for the old concern, instead of adding to its invested capital, to have organized a new corporation and capitalized it, using the new capital in that way, because upon this new concern it would have been entitled to a much more generous exemption.

I can see how this would work serious injury to an old concern simply for being old. The amendment which I have offered proposes to give the old concern which has added to its capital the same exemption upon its new capital that we give to a corporation which has been organized since the prewar period. In other words, it is to give to the old corporation an exemption upon its new capital equivalent to the average net profits of like businesses. That will place them on an equal footing.

I had introduced an amendment which gave old corporations, upon the newly invested capital, an exemption equivalent to their average earnings during the prewar period. There is an element of justice in that proposal; but there is also weight to the objection that a corporation having a small capital and high earnings which expands its capital can not or should not be expected to realize as high a percentage of return upon its expanded capital as upon its old limited capital. But it seems to me, Mr. President, that there can be no argument against this proposal to give an old corporation upon its newly invested capital an exemption exactly the same as is accorded to new corporations; in other words, that will allow the new corporation the average net profits of like concerns engaged in like business, and allow an old corporation upon its newly invested capital an exemption equivalent to the average profits of like concerns.

That places competitors on an equal footing, and does not discriminate between them. It does not subject the one to an unnecessary and to an unjust burden. It does not make a difference in the treatment of concerns where there is no real difference in fact to justify the different treatment. The amendment which I have offered accords like treatment to those who are substantially in like situations. This is the nearest approach to justice we can arrive at in the adoption of a complicated revenue measure of this sort.

Mr. SIMMONS. Mr. President, while the Senator from Oklahoma always illuminates every subject upon which he speaks, I do not think he expects this amendment to be adopted. I think the Senator knows perfectly well that if this amendment were adopted it would be necessary to re-form this bill in many of its essential features. I do not know how that could be done now without sending it back to the committee. The Senator also knows that this proposal was pretty thoroughly thrashed out in the committee, and after great deliberation there it was decided that it was impracticable.

I hope, therefore, the amendment will not be adopted.

Mr. SMOOT. Mr. President, just a moment. There may be such a case as that cited by the Senator from Oklahoma; but if so, I call his attention to the relief provision found in this bill. On page 99, under paragraph (d), line 20, there is this provision:

(d) Where, as compared with representative corporations engaged in a like or similar trade or business, the taxpayer would (under section 326)—

That is, the invested-capital section—

be placed in a position of substantial inequality, because of the time or manner of organization, or because the actual value of the assets—

And so forth.

So the Senator can see that if there were such a case as cited by him it would fall under this relief provision.

Mr. GORE. Mr. President, I think there is a great deal of virtue in this relief provision; but, of course, it is intended to meet exceptional cases—cases where the circumstances can not be standardized.

Mr. SMOOT. That is what that would be.

Mr. GORE. The amendments which I have offered apply uniformly and generally to all concerns which come within the same category, and I think it is better, as a rule, where you can classify, to have a uniform rule applicable to a class, rather than to rely upon making special exceptions to meet particular cases. I fully approve of the relief section, but to meet the case of those enterprises which can not be reduced to rule or to standard, I think this amendment ought to have been adopted. I hardly expect it to be adopted at this late hour, though, because, of course, the Senate has not had an opportunity to analyze it. I would not be surprised, however, to see this amendment come back in the conference report, if this section stays in the bill.

The PRESIDING OFFICER. The question is upon agreeing to the amendment of the Senator from Oklahoma.

The amendment was rejected.

Mr. GORE. Mr. President, there is one other amendment which I wish to offer.

The PRESIDING OFFICER. The Senator from Oklahoma offers a further amendment, which will be stated by the Secretary.

The SECRETARY. On page 83, it is proposed to strike out sections 300 and 301, as amended, and in lieu thereof to insert the following:

SEC. 300. That when used in this title the terms "taxable year," "fiscal year," "personal service corporation," "paid or accrued," and "dividends" shall have the same meaning as provided for the purposes of income tax in sections 200 and 201, and when used in section 301 of this title the term "taxable income" shall mean the net income in excess of the excess-profits credit determined under section 312,

or the war-profits credit determined under section 311, as the case may be. The first taxable year for the purposes of this title shall be the same as the first taxable year for the purposes of the income tax under Title II.

PART II—IMPOSITION OF TAX.

SEC. 301. (a) That in lieu of the tax imposed by Title II of the revenue act of 1917, but in addition to the other taxes imposed by this act, there shall be levied, collected, and paid for the taxable year 1918 upon the taxable income of every corporation a tax equal to the sum of the following:

FIRST BRACKET.

Thirty per cent of the amount of the taxable income not in excess of 20 per cent of the invested capital.

SECOND BRACKET.

Sixty per cent of the amount of the taxable income in excess of 20 per cent of the invested capital.

THIRD BRACKET.

The sum, if any, by which 80 per cent of the amount of the taxable income exceeds the amount of the tax computed under the first and second brackets.

(b) For the taxable year 1919 and each taxable year thereafter there shall be levied, collected, and paid upon the taxable income of every corporation a tax equal to the sum of the following:

FIRST BRACKET.

Twenty per cent of the amount of the taxable income not in excess of 20 per cent of the invested capital.

SECOND BRACKET.

Forty per cent of the amount of the taxable income in excess of 20 per cent of the invested capital.

(c) For the purposes of the act approved March 21, 1918, entitled "An act to provide for the operation of transportation systems while under Federal control, for the just compensation of their owners, and for other purposes," the tax imposed by this title shall be treated as levied by an act in amendment of Title II of the revenue act of 1917.

Mr. GORE. Mr. President, just a moment. There are two points in this amendment. One is to define what shall constitute taxable income. Under the existing law and under the pending bill the brackets are applied to the entire net profits of corporations. The ordinary taxpayer expects his net profits to be ascertained and expects his exemption recited in the bill, of $3,000 plus 8 per cent on the capital invested, to be subtracted from his net profits and then expects the bracket of 30 and 60 per cent to be applied to what is left.

That is not the case. The exemption of $3,000 plus 8 per cent on the capital invested is taken from the lowest bracket, and if the exemption is more than the net profit under the low bracket then the remainder of the exemption is taken out of the next bracket above that.

So it might happen but for another provision. The small concerns would pay their entire tax under the 60 per cent bracket. Take a concern—but for the provision—which I shall submit in a moment, capitalized at $25,000, with a net profit of $12,500. That concern would be entitled to an exemption of $5,000, $3,000 plus the 8 per cent on the capital stock, making an aggregate of $5,000.

The average taxpayer expects that $5,000 exemption to be taken from $12,500, the profit being $7,500, to which the bracket should be applied. Five thousands dollars of the $7,500 coming within the first, or 30 per cent, bracket, amounting to $1,500; under the second bracket, $2,500, bearing 60 per cent, amounting to $1,500, or aggregating under both brackets $3,000.

That is not the way it is computed. Twenty per cent of the capital stock, or $5,000, which is the first bracket, is offset against the exemption of $5,000, leaving $7,500 to bear the 60 per cent tax. I use this merely by way of illustration.

This is the way the computation would run, but for the provision that a corporation whose net profits do not exceed $20,000 shall pay at the rate of 30 per cent on its entire profits. The method, however, of deducting the exemption from the low bracket operates against small corporations. It is less burdensome to large corporations, but my proposal to deduct the exemption from the net profits and then apply the brackets to the remainder would be just alike to the small and to the large corporation and would avoid a burdensome discrimination.

The PRESIDING OFFICER. The question is on the amendment of the Senator from Oklahoma.

The amendment was rejected.

Mr. JONES of Washington. I have an amendment that I want to propose to paragraph C, on page 138 of the bill. I think when I state just briefly the situation and what it is designed to meet, its merits will be perfectly clear.

Mr. SIMMONS. Clearly, the amendment should be adopted.

The PRESIDING OFFICER. The amendment will be stated.

The SECRETARY. On line 10, page 138, add the following proviso:

Provided, That where such transportation lines are in competition with foreign lines the tax imposed under this paragraph shall not exceed the amount of transportation tax to which such foreign transportation company is subjected by its government corresponding to this tax.

Mr. JONES of Washington. Mr. President, I think I can state just in a moment, so that it will appear in the RECORD, what this amendment is designed to meet.

We have a transportation line from Seattle, for instance, to points in southeastern Alaska. The Canadian ships also go from Seattle to Vancouver and Victoria on the way to points in southeastern Alaska. They are in competition with our ships. I am reliably informed that their Government taxes them 1 per cent. If we put this tax of 8 per cent on our ships, it will give the Canadian line an advantage of 7 per cent. This amendment is designed to meet a situation just like that.

Mr. SMOOT. Let me call the attention of the Senator to the provision of the bill on page 138. I did not really understand it when the Senator presented the case to me a little while ago. It seems to me that if the Canadian ship started from a point in the United States it would be taxed under the provision of the bill as it stands.

Mr. JONES of Washington. But this is what they do: They sell a local ticket between Seattle and Vancouver, then a ticket from Vancouver on to a point in Alaska.

Mr. FLETCHER. May I ask the Senator if the Canadian Government does not tax more than 1 per cent?

Mr. JONES of Washington. All I know is what information I have, which is as reliable as I can get, and they claim that a tax corresponding to this is just 1 per cent. I thought if it went into conference the conferees could look into the situation a little more carefully than I have had an opportunity to do and take care of it.

Mr. FLETCHER. It may be possible that there is only one tax on that particular subject, but I do know that they place a pretty severe tax on the income.

Mr. JONES of Washington. That is probably true; but I referred to the corresponding tax.

The PRESIDING OFFICER. The question is on the amendment of the Senator from Washington.

The amendment was agreed to.

The PRESIDING OFFICER. The bill is in Committee of the Whole and open to amendment. If there be no further amendment——

Mr. LA FOLLETTE. Mr. President, I desire to offer an amendment in the nature of a substitute. I send to the Secretary's desk the amendment and ask to have it read.

The PRESIDING OFFICER. The Senator from Wisconsin submits an amendment by way of a substitute and requests that it be read.

Mr. LA FOLLETTE. To save the time of the Senate, as the amendment has been upon the desks of Senators and they have had an opportunity to examine it, I will not ask to have it read if it is printed in the RECORD. It would save some two hours or more of the time of the Senate and advance the consideration and conclusion of the bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LA FOLLETTE'S amendment was to strike out all after the enacting clause of the bill and to insert:

TITLE I.—GENERAL DEFINITIONS.

SECTION 1. That when used in this act—

The term "person" includes partnerships, corporations, and associations, as well as individuals;

The term "corporation" includes associations, joint-stock companies, and insurance companies, as well as private corporations;

The term "domestic" when applied to a corporation or partnership means created or organized in the United States;

The term "foreign" when applied to a corporation or partnership means created or organized outside the United States;

The term "United States" when used in a geographical sense includes only the States, the Territories of Alaska and Hawaii, and the District of Columbia;

The term "Secretary" means the Secretary of the Treasury;

The term "commissioner" means the Commissioner of Internal Revenue;

The term "collector" means collector of internal revenue;

The term "revenue act of 1916" means the act entitled "An act to increase the revenue, and for other purposes," approved September 8, 1916;

The term "revenue act of 1917" means the act entitled "An act to provide revenue to defray war expenses, and for other purposes," approved October 3, 1917;

The term "taxpayer" includes any person, trust, or estate subject to a tax imposed by this act;

The term "Government contract" means (a) a contract made with the United States or with any department, bureau, officer, commission, board, or agency under the United States and acting in its behalf, or with any agency controlled by any of the above if the contract is for the benefit of the United States, or (b) a subcontract made with a contractor performing such a contract if the products or services to be furnished under the subcontract are for the benefit of the United States.

TITLE II.—INCOME TAX.

Part I.—General provisions.

DEFINITIONS.

SEC. 200. That when used in this title—

The term "taxable year" means the calendar year, or the fiscal year ending during such calendar year, upon the basis of which the net income is computed under section 212 or section 232. The term "fiscal year" means an accounting period of 12 months ending on the last day of any month other than December. The first taxable year, to be called the taxable year 1918, shall be the calendar year 1918 or any fiscal year ending during the calendar year 1918;

The term "fiduciary" means a guardian, trustee, executor, administrator, receiver, conservator, or any person acting in any fiduciary capacity for any person, trust, or estate;

The term "withholding agent" means any person required to deduct and withhold any tax under the provisions of section 221 or section 237;

The term "dividend" means any distribution made by a corporation out of its earnings or profits, accrued since February 28, 1913, and payable to its shareholders or members, whether in cash or in other property or in stock of the corporation. Any distribution shall be deemed to have been made from earnings or profits unless all earnings and profits have first been distributed. Any distribution made in the year 1918 or subsequent years shall be deemed to have been made from earnings or profits accrued since February 28, 1913; but any earnings or profits accrued prior to March 1, 1913, may be distributed in stock dividends or otherwise, exempt from the tax, after the earnings and profits accrued since February 28, 1913, have been distributed. If paid in stock of the corporation, a dividend shall be considered income to the amount of the earnings or profits distributed. Amounts distributed in the liquidation of a corporation shall be treated as payments in exchange for stock, and any gain or profit realized thereby shall be taxed to the distributee as other gains or profits.

BASIS FOR DETERMINING GAIN OR LOSS.

SEC. 201. That for the purpose of ascertaining the gain derived or loss sustained from the sale or other disposition of property, real, personal, or mixed, the basis shall be—

(a) In the case of property acquired before March 1, 1913, the fair market price or value of such property as of that date; and

(b) In the case of property acquired on or after that date, (1) the cost thereof; or (2) the inventory value, if the inventory is made in accordance with section 202.

INVENTORIES.

SEC. 202. That whenever in the opinion of the commissioner the use of inventories is necessary in order clearly to determine the income of any taxpayer, inventories shall be taken by such taxpayer upon such basis as the commissioner, with the approval of the Secretary, may approve or prescribe as most clearly reflecting the income of the taxpayer.

Part II.—Individuals.

NORMAL TAX.

SEC. 210. That in lieu of the taxes imposed by subdivision (a) of section 1 of the revenue act of 1916 and by section 1 of the revenue act of 1917 there shall be levied, collected, and paid for each taxable year upon the net income of every individual a normal tax of 2 per cent of the amount of the net income in excess of the credits provided in section 216.

SURTAX.

SEC. 211. That in lieu of the taxes imposed by subdivision (b) of section 1 of the revenue act of 1916 and by section 2 of the revenue act of 1917, but in addition to the normal tax imposed by section 210 of this act, there shall be levied, collected, and paid for each taxable year upon the net income of every individual a surtax equal to the sum of the following:

5 per cent of the amount by which the net income exceeds $5,000 and does not exceed $7,500.

8 per cent of the amount by which the net income exceeds $7,500 and does not exceed $10,000.

13 per cent of the amount by which the net income exceeds $10,000 and does not exceed $15,000.

20 per cent of the amount by which the net income exceeds $15,000 and does not exceed $20,000.

30 per cent of the amount by which the net income exceeds $20,000 and does not exceed $25,000.

45 per cent of the amount by which the net income exceeds $25,000 and does not exceed $50,000.

57 per cent of the amount by which the net income exceeds $50,000 and does not exceed $75,000.

70 per cent of the amount by which the net income exceeds $75,000 and does not exceed $100,000.

75 per cent of the amount by which the net income exceeds $100,000 and does not exceed $200,000.

76 per cent of the amount by which the net income exceeds $200,000 and does not exceed $300,000.

77 per cent of the amount by which the net income exceeds $300,000 and does not exceed $500,000.

78 per cent of the amount by which the net income exceeds $500,000.

NET INCOME DEFINED.

SEC. 212. (a) That in the case of an individual the term "net income" means the gross income as defined in section 213, less the deductions allowed by section 214.

(b) The net income shall be computed upon the basis of the taxpayer's annual accounting period (fiscal year or calendar year, as the case may be) in accordance with the method of accounting regularly employed in keeping the books of such taxpayer; but if no such method of accounting has been so employed, or if it does not clearly reflect the income, the computation shall be made upon such basis and in such manner as in the opinion of the commissioner does clearly reflect the income. If the taxpayer's annual accounting period is other than a fiscal year as defined in section 200, or if the taxpayer has no annual accounting period or does not keep books, the net income shall be computed on the basis of the calendar year.

If a taxpayer changes his accounting period from fiscal year to calendar year, from calendar year to fiscal year, or from one fiscal year to another, the net income shall, with the approval of the commissioner, be computed on the basis of such new accounting period, subject to the provisions of section 226.

GROSS INCOME DEFINED.

SEC. 213. That for the purposes of this title (except as otherwise provided in section 233) the term "gross income"—

(a) Includes gains, profits, and income derived from salaries, wages, or compensation for personal service (including in the case of the President of the United States, the judges of the Supreme and inferior courts of the United States, and all other officers and employees, whether elected or appointed, of the United States, or of any State, Alaska, Hawaii, or any political subdivision thereof, or the District of Columbia, the compensation received as such), of whatever kind and in whatever form paid, or from professions, vocations, trades, businesses, commerce, or sales, or dealings in property, whether real or personal, growing out of the ownership or use of or interest in such property; also from interest, rent, dividends, securities, or the transaction of any business carried on for gain or profit, or gains or profits derived from any source whatever. The amount of all such items shall be included in the gross income for the taxable year in which received by the taxpayer, unless, under methods of accounting permitted under subdivision (b) of section 212, any such amounts are to be properly accounted for as of a different period; but

(b) Does not include the following items, which shall be exempt from taxation under this title:

(1) The proceeds of life insurance policies paid upon the death of the insured;

(2) The amount received by the insured as a return of premium or premiums paid by him under life insurance, endowment, or annuity contracts, either during the term or at the maturity of the term mentioned in the contract or upon surrender of the contract;

(3) The value of property acquired by gift, bequest, devise, or descent (but the income from such property shall be included in gross income);

(4) Interest upon (a) the obligations of a State, Territory, or any political subdivision thereof, or the District of Columbia, issued on or prior to the date of the passage of this act, or (if authorized by law on or prior to the date of the passage of this act) issued within six months after the passage of this act and containing a statement of such authorization and its date, or (if issued after the passage of this act) containing a statement that they are issued for the purpose of funding or refunding any interest-bearing indebtedness outstanding on the date of the passage of this act or for the purpose of carrying out a contract entered into on or prior to the date of the passage of this act: *Provided*, That there shall be excluded from gross income in the case of any person owning obligations of States, Territories, political subdivisions thereof, or the District of Columbia (the interest upon which is included in gross income), the interest upon an amount of such obligations the principal of which does not exceed in the aggregate $5,000; or (b) securities issued under the provisions of the Federal farm-loan act of July 17, 1916; or (c) the obligations of the United States or its possessions. In the case of obligations of the United States issued after September 1, 1917, the interest shall be exempt only if and to the extent provided in the act authorizing the issue thereof as amended and supplemented, and shall be excluded from gross income only if and to the extent it is wholly exempt from taxation both under this title and under Title III;

(5) The income of foreign governments received from investments in the United States in stocks, bonds, or other domestic securities, owned by such foreign government, or from interest on deposits in banks in the United States of moneys belonging to such foreign governments, or from any other source within the United States;

(6) Amounts received, through accident or health insurance or under workmen's compensation acts, as compensation for personal injuries or sickness, plus the amount of any damages received whether by suit or agreement on account of such injuries or sickness;

(7) Income derived from any public utility or the exercise of any essential governmental function and accruing to any State, Territory, or the District of Columbia, or any political subdivision of a State or Territory, or income accruing to the government of any possession of the United States, or any political subdivision thereof.

Whenever any State, Territory, or the District of Columbia, or any political subdivision of a State or Territory, prior to September 8, 1916, entered in good faith into a contract with any person, the object and purpose of which is to acquire, construct, operate, or maintain a public utility, no tax shall be levied under the provisions of this title upon the income derived from the operation of such public utility, so far as the payment thereof will impose a loss or burden upon such State, Territory, District of Columbia, or political subdivision; but this provision is not intended to confer upon such person any financial gain or exemption or to relieve such person from the payment of a tax as provided for in this title upon the part or portion of such income to which such person is entitled under such contract;

(8) The amount received by a person in the military or naval forces of the United States as salary or compensation in any form from the United States for active services in such forces.

(c) In the case of nonresident alien individuals, gross income includes only the gross income from sources within the United States, including interest on bonds, notes, or other interest-bearing obligations of residents, corporate or otherwise, and including dividends from resident corporations.

DEDUCTIONS ALLOWED.

SEC. 214. (a) That in computing net income there shall be allowed as deductions—

(1) All the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business, including a reasonable allowance for salaries or other compensation for personal services actually rendered, and including rentals or other payments required to be made as a condition to the continued use or possession of property, for purposes of the trade or business, of property to which the taxpayer has not taken or is not taking title or in which he has no equity;

(2) All interest paid or accrued within the taxable year on indebtedness, except on indebtedness incurred or continued to purchase or carry obligations or securities (other than obligations of the United States issued after September 24, 1917), the interest upon which is wholly exempt from taxation under this title as income to the taxpayer, or, in the case of a nonresident alien individual, the proportion of such interest which the amount of his gross income from sources within the United States bears to the amount of his gross income from all sources within and without the United States;

(3) Taxes paid or accrued within the taxable year imposed (a) by the authority of the United States, except income, war profits, and excess-profits taxes; or (b) by the authority of any of its possessions, except the amount of income, war profits, and excess-profits taxes allowed as a credit under section 222; or (c) by the authority of any State or Territory, or any county, school district, municipality, or other taxing subdivision of any State or Territory, not including those assessed against local benefits of a kind tending to increase the value of the property assessed; or (d) in the case of a citizen or resident of the United States, by the authority of any foreign country, except the amount of income, war-profits, and excess-profits taxes allowed as a credit under section 222; or (e) in the case of a nonresident alien individual, by the authority of any foreign country (except income, war-profits, and excess-profits taxes, and taxes assessed against local benefits of a kind tending to increase the value of the property assessed), upon property or business, to the extent that the income from such property or business is subject to taxation under this title;

(4) Losses sustained and charged off during the taxable year and not compensated for by insurance or otherwise, if incurred in trade or business;

(5) Losses sustained during the taxable year and not compensated for by insurance or otherwise, if incurred in any transaction entered into for profit, though not connected with the trade or business; but in the case of a nonresident alien individual only as to such transactions within the United States;

(6) Losses sustained during the taxable year of property not connected with the trade or business (but in the case of a nonresident alien individual only property within the United States) if arising from fires, storms, shipwreck, or other casualty, or from theft, and if not compensated for by insurance or otherwise;

(7) Debts ascertained to be worthless and charged off within the taxable year;

(8) A reasonable allowance for the exhaustion, wear and tear of property used in the trade or business, but in the case of a nonresident alien individual only as to property within the United States;

(9) In the case of buildings, machinery, equipment, or other facilities, constructed, erected, installed, or acquired, on or after April 6, 1917, for the production of articles contributing to the prosecution of the present war, there may be allowed a reasonable deduction for the amortization of such part of the cost of such facilities as has been borne by the taxpayer, but not again including amounts otherwise allowed under this title for depreciation, exhaustion, or wear and tear. At any time within three years after the termination of the present war with the Imperial German Government as declared by proclamation of the President, the commissioner may, and at the request of the taxpayer shall, reexamine the return, and if he then finds as a result of an appraisal or from other evidence that the deduction originally allowed was incorrect, the necessary adjustment of the taxes for the year or years affected shall be made and the amount of tax due upon such readjustment, if any, shall be paid upon notice and demand by the collector, or the amount of tax overpaid, if any, shall be credited or refunded to the taxpayer in accordance with the provisions of section 252. In the case of a nonresident alien individual this deduction shall be allowed only as to facilities within the United States. In no case shall the deduction allowed under this paragraph exceed 25 per cent of the taxpayer's net income as computed without the benefit of this paragraph or paragraph (11);

(10) (a) In the case of oil and gas wells a reasonable allowance for actual reduction in flow and production to be ascertained not by the flush flow, but by the settled production or regular flow; (b) in the case of mines a reasonable allowance for depletion; (c) in the case of mines, oil and gas wells, other natural deposits and timber, a reasonable allowance for depreciation of improvements; such reasonable allowance in all the above cases to be made according to the peculiar conditions in each case and under rules and regulations to be prescribed by the commissioner with the approval of the Secretary. In the case of leases the deductions allowed by this paragraph shall be equitably apportioned between the lessor and lessee. In the case of a nonresident alien individual deductions under this paragraph shall be allowed only as to property within the United States;

(11) Contributions or gifts made within the taxable year to corporations organized and operated exclusively for religious, charitable, scientific, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private stockholder or individual, or to the special fund for vocational rehabilitation authorized by section 7 of the vocational rehabilitation act, to an amount not in excess of 15 per cent of the taxpayer's net income as computed without the benefit of this paragraph. Such contributions or gifts shall be allowable as deductions only if verified under rules and regulations prescribed by the commissioner, with the approval of the Secretary. In the case of a nonresident alien individual this deduction shall be allowed only as to contributions or gifts made to domestic corporations, or to such vocational rehabilitation fund.

(b) In the case of a nonresident alien individual the deductions allowed in paragraphs (1), (4), (7), (8), (9), and (10) of subdivision (a) shall be allowed only if and to the extent that they are connected with a trade or business carried on within the United States; and the proper apportionment and allocation of the deductions with respect to trade or business within and without the United States shall be determined under rules and regulations prescribed by the commissioner with the approval of the Secretary.

ITEMS NOT DEDUCTIBLE.

SEC. 215. That in computing net income no deduction shall in any case be allowed in respect of—

(a) Personal, living, or family expenses;

(b) Any amount paid out for new buildings or for permanent improvements or betterments made to increase the value of any property or estate;

(c) Any amount expended in restoring property or in making good the exhaustion thereof for which an allowance is or has been made; or

(d) Premiums paid on any life insurance policy covering the life of any officer or employee, or of any person financially interested in any trade or business carried on by the taxpayer, when the taxpayer or anyone financially interested in such trade or business is a beneficialy under such policy.

CREDITS ALLOWED.

SEC. 216. That for the purpose of the normal tax only there shall be allowed the following credits:

(a) The amount received as dividends from a corporation which is taxable under this title upon its net income;

(b) The amount received as interest upon obligations of the United States, any State, Territory, any political subdivision thereof, or the District of Columbia, which is included in gross income under section 213;

(c) In the case of a single person, a personal exemption of $1,000, or in the case of the head of a family or a married person living with husband or wife, a personal exemption of $2,000. A husband and wife living together shall receive but one personal exemption of $2,000 against their aggregate net income; and in case they make separate returns, the personal exemption of $2,000 may be taken by either or divided between them;

(d) Two hundred dollars for each person (other than husband or wife) dependent upon and receiving his chief support from the taxpayer, if such dependent person is under 18 years of age or is incapable of self-support because mentally or physically defective.

(e) In the case of a nonresident alien individual who is a citizen or subject of a country which imposes an income tax, the credits allowed in subdivisions (c) and (d) shall be allowed only if such country allows a similar credit to citizens of the United States not residing in such country.

NONRESIDENT ALIENS—ALLOWANCE OF DEDUCTIONS AND CREDITS.

SEC. 217. That a nonresident alien individual shall receive the benefit of the deductions and credits allowed in this title only by filing or causing to be filed with the collector a true and accurate return of his total income received from all sources corporate or otherwise in the United States, in the manner prescribed by this title, including therein all the information which the commissioner may deem necessary for the calculation of such deductions and credits: *Provided*, That the benefit of the credits allowed in subdivisions (c) and (d) of section 216 may, in the discretion of the commissioner, and except as otherwise provided in subdivision (e) of that section, be received by filing a claim therefor with the withholding agent. In case of failure to file a return, the collector shall collect the tax on such income, and all property belonging to such nonresident alien individual shall be liable to distraint for the tax.

PARTNERS.

SEC. 218. (a) That individuals carrying on business in partnership shall be liable for income tax only in their individual capacity. There shall be included in computing the net income of each partner his distributive share, whether distributed or not, of the net income of the partnership for the taxable year, or, if his net income for such taxable year is computed upon the basis of a period different from that upon the basis of which the net income of the partnership is computed, then his distributive share of the net income of the partnership for the last annual accounting period of the partnership prior to the close of the fiscal or calendar year upon the basis of which the partner's net income is computed.

The partner shall, for the purpose of the normal tax, be allowed as credits, in addition to the credits allowed to him under section 216, his proportionate share of such amounts specified in subdivisions (a) and (b) of section 216 as are received by the partnership.

(b) If a fiscal year of a partnership ends during a calendar year for which the rates of tax differ from those for the preceding calendar year, then (1) the rates for such preceding calendar year shall apply to an amount of each partner's share of such partnership net income equal to the proportion which the part of such fiscal year falling within such calendar year bears to the full fiscal year, and (2) the rates for the calendar year during which such fiscal year ends shall apply to the remainder.

(c) In the case of an individual member of a partnership which makes return for a fiscal year beginning in 1917 and ending in 1918, his proportionate share of any excess-profits tax imposed upon the partnership under the revenue act of 1917 with respect to that part of such fiscal year falling in 1917 shall, for the purpose of determining the tax imposed by this title, be credited against that portion of the net income embraced in his personal return for the taxable year 1918 to which the rates for 1917 apply.

(d) The net income of the partnership shall be computed in the same manner and on the same basis as provided in section 212, except that the deduction provided in paragraph (11) of subdivision (a) of section 214 shall not be allowed.

ESTATES AND TRUSTS.

SEC. 219. (a) That the tax imposed by sections 210 and 211 shall apply to the income of estates or of any kind of property held in trust, including—

(1) Income received by estates of deceased persons during the period of administration or settlement of the estate;

(2) Income accumulated in trust for the benefit of unborn or unascertained persons or persons with contingent interests;

(3) Income held for future distribution under the terms of the will or trust; and

(4) Income which is to be distributed to the beneficiaries periodically, whether or not at regular intervals.

(b) The fiduciary shall be responsible for making the return of income for the estate or trust for which he acts. The net income of the estate or trust shall be computed in the same manner and on the same basis as provided in section 212; and in cases under paragraph (4) of subdivision (a) of this section the fiduciary shall include in the return a statement of each beneficiary's distributive share of such net income, whether or not distributed before the close of the taxable year for which the return is made.

(c) In cases under paragraph (1), (2), or (3) of subdivision (a) the tax shall be imposed upon the net income of the estate or trust and shall be paid by the fiduciary. In such cases the estate or trust shall, for the purpose of the normal tax, be allowed the same credits as are allowed to single persons under section 216.

(d) In cases under paragraph (4) of subdivision (a) the tax shall not be paid by the fiduciary, but there shall be included in computing the net income of each beneficiary his distributive share, whether distributed or not, of the net income of the estate or trust for the taxable year, or, if his net income for such taxable year is computed upon the basis of a period different from that upon the basis of which the net income of the estate or trust is computed, then his distributive share of the net income of the estate or trust for the last annual accounting period of such estate or trust prior to the close of the fiscal or calendar year upon the basis of which such beneficiary's net income is computed. In such cases the beneficiary shall, for the purpose of the normal tax, be allowed as credits in addition to the credits allowed to him under section 216, his proportionate share of such amounts specified in subdivisions (a) and (b) of section 216 as are received by the estate or trust.

UNDISTRIBUTED PROFITS SUBJECT TO SURTAX.

SEC. 220. That for the purpose of the surtax, the net income of any individual includes the share to which he would be entitled of the gains and profits, if divided or distributed, whether divided or distributed or not, of all corporations, however created or organized, formed or fraudulently availed of for the purpose of preventing the imposition of such tax through the medium of permitting such gains and profits to accumulate instead of being divided or distributed; and the fact that any such corporation is a mere holding company, or that the gains and profits are permitted to accumulate beyond the reasonable needs of the business, shall be prima facie evidence of a fraudulent purpose to escape such tax; but the fact that the gains and profits are in any case permitted to accumulate and become surplus shall not be construed as evidence of a purpose to escape the tax in such case unless the Secretary certifies that in his opinion such accumulation is unreasonable for the purposes of the business. When requested by the commissioner, or any collector, every corporation shall forward to him a correct statement of such gains and profits and the names and addresses of the individuals or shareholders who would be entitled to the same if divided or distributed, and of the amounts that would be payable to each.

PAYMENT OF TAX AT SOURCE.

SEC. 221. (a) That all individuals, corporations, and partnerships, in whatever capacity acting, including lessees or mortgagors of real or personal property, fiduciaries, employers, and all officers and employees of the United States, having the control, receipt, custody, disposal, or payment, of interest, rent, salaries, wages, premiums, annuities, compensations, remunerations, emoluments, or other fixed or determinable annual or periodical gains, profits, and income, of any nonresident alien individual (other than income received as dividends from a corporation which is taxable under this title upon its net income) shall (except in the cases provided for in subdivision (b) and except as otherwise provided in regulations prescribed by the commissioner under section 217) deduct and withhold from such annual or periodical gains, profits, and income a tax equal to 12 per cent thereof.

(b) In any case where bonds, mortgages, or deeds of trust, or other similar obligations of a corporation contain a contract or provision by which the obligor agrees to pay any portion of the tax imposed by this title upon the obligee, or to reimburse the obligee for any portion of the tax, or to pay the interest without deduction for any tax which the obligor may be required or permitted to pay thereon or to retain therefrom under any law of the United States, the obligor shall deduct and withhold a tax equal to 2 per cent of the interest upon such bonds, mortgages, deeds of trust, or other obligations, whether such interest is payable annually or at shorter or longer periods and whether payable to a nonresident alien individual or to an individual citizen or resident of the United States. Such deduction and withholding shall not be required in the case of a citizen or resident entitled to receive such interest, if he files with the withholding agent on or before February 1 a signed notice in writing claiming the benefit of the credits provided in subdivisions (c) and (d) of section 216; nor in the case of a nonresident alien individual if so provided for in regulations prescribed by the commissioner under section 217.

(c) Every individual, corporation, or partnership required to deduct and withhold any tax under this section shall make return thereof on or before March 1 of each year and shall on or before June 15 pay the tax to the official of the United States Government authorized to receive it. Every such individual, corporation, or partnership is hereby made liable for such tax and is hereby indemnified against the claims and demands of any individual, corporation, or partnership for the amount of any payments made in accordance with the provisions of this section.

(d) Income upon which any tax is required to be withheld at the source under this section shall be included in the return of the recipient of such income, but any amount of tax so withheld shall be credited against the amount of income tax as computed in such return.

(e) If any tax required under this section to be deducted and withheld is paid by the recipient of the income, it shall not be re-collected from the withholding agent; nor in cases in which the tax is so paid shall any penalty be imposed or collected from the recipient of the income or the withholding agent for failure to return or pay the same, unless such failure was fraudulent and for the purpose of evading payment.

CREDIT FOR FOREIGN TAXES.

SEC. 222. (a) That in the case of a citizen of the United States, the tax computed under this title shall be credited with the amount of any income, war-profits and excess-profits taxes paid during the taxable year to any foreign country, Porto Rico, or the Philippine Islands, upon income derived from sources therein, including in the case of a member of a partnership or a beneficiary of an estate or trust his proportionate share of such taxes so paid during the taxable year by the partnership or by the estate or trust.

(b) In the case of an alien resident of the United States who is a citizen or subject of a country which imposes income, war-profits or excess-profits taxes, a like credit shall be allowed if such country allows a similar credit to citizens of the United States residing in such country.

(c) The credits allowed in subdivisions (a) and (b) shall be allowed only if the taxpayer furnishes evidence satisfactory to the commissioner showing the amount of income received from sources within such foreign country, Porto Rico, or the Philippine Islands, as the case may be, and all other information necessary for the computation of such credits.

INDIVIDUAL RETURNS.

SEC. 223. That every person having a net income for the taxable year of $1,000 or over if single or if married and not living with husband or wife, or of $2,000 or over if married and living with husband or wife, shall make under oath a return stating specifically the items of his gross income and the deductions and credits allowed by this title. If a husband and wife living together have an aggregate net income of $2,000 or over, each shall make such a return unless the income of each is included in a single joint return.

If the taxpayer is unable to make his own return, the return shall be made by a duly authorized agent or by the guardian or other person charged with the care of the person or property of such taxpayer.

PARTNERSHIP RETURNS.

SEC. 224. That every partnership shall make a return for each taxable year, stating specifically the items of its gross income and the deductions allowed by this title, and shall include in the return the names and addresses of the individuals who would be entitled to share in the net income if distributed and the amount of the distributive share of each individual. The return shall be sworn to by any one of the partners.

FIDUCIARY RETURNS.

SEC. 225. That every fiduciary (except receivers appointed by authority of law in possession of part only of the property of an individual) shall make under oath a return for the individual, estate, or trust for which he acts (1) if the net income of such individual is $1,000 or over if single or if married and not living with husband or wife, or $2,000 or over if married and living with husband or wife, or (2) if the net income of such estate or trust is $1,000 or over or if any beneficiary of such estate or trust is a nonresident alien, stating specifically the items of the gross income and the deductions and credits allowed by this title. Under such regulations as the commissioner with the approval of the Secretary may prescribe, a return made by one of two or more joint fiduciaries and filed in the district where such fiduciary resides shall be a sufficient compliance with the above requirement. The fiduciary shall make oath that he has sufficient knowledge of the affairs of such individual, estate, or trust to enable him to make the return, and that the same is, to the best of his knowledge and belief, true and correct.

Fiduciaries required to make returns under this act shall be subject to all the provisions of this act which apply to individuals.

RETURNS WHEN ACCOUNTING PERIOD CHANGED.

SEC. 226. That if a taxpayer, with the approval of the commissioner, changes the basis of computing net income from fiscal year to calendar year a separate return shall be made for the period between the close of the last fiscal year for which return was made and the following December 31. If the change is from calendar year to fiscal year, a separate return shall be made for the period between the close of the last calendar year for which return was made and the date designated as the close of the fiscal year. If the change is from one fiscal year to another fiscal year, a separate return shall be made for the period between the close of the former fiscal year and the date designated as the close of the new fiscal year. If a taxpayer making his first return for income tax keeps his accounts on the basis of a fiscal year, he shall make a separate return for the period between the beginning of the calendar year in which such fiscal year ends and the end of such fiscal year.

In all of the above cases the net income shall be computed on the basis of such period for which separate return is made, and the tax shall be paid thereon at the rate for the calendar year in which such period is included; and the credits provided in subdivisions (c) and (d) of section 216 shall be reduced, respectively, to amounts which bear the same ratio to the full credits provided in such subdivisions as the number of months in such period bears to 12 months.

TIME AND PLACE FOR FILING RETURNS.

SEC. 227. (a) That returns shall be made on or before the 15th day of the third month following the close of the fiscal year; or, if the return is made on the basis of the calendar year, then the return shall be made on or before the 15th day of March. The commissioner may grant a reasonable extension of time for filing returns whenever, in his judgment, good cause exists, and shall keep a record of every such extension and the reason therefor. Except in the case of taxpayers who are abroad, no such extension shall be for more than two months.

(b) Returns shall be made to the collector for the district in which is located the legal residence or principal place of business of the person making the return; or, if he has no legal residence or principal place of business in the United States, then to the collector at Baltimore, Md.

UNDERSTATEMENT IN RETURNS.

SEC. 228. That if the collector or deputy collector has reason to believe that the amount of any income returned is understated, he shall give due notice to the taxpayer making the return to show cause why the amount of the return should not be increased, and upon proof of the amount understated, may increase the same accordingly. Such taxpayer may furnish sworn testimony to prove any relevant facts and if dissatisfied with the decision of the collector may appeal to the commissioner for his decision, under such rules of procedure as may be prescribed by the commissioner, with the approval of the Secretary.

Part III.—Corporations.

TAX ON CORPORATIONS.

SEC. 230. That, in lieu of the taxes imposed by section 10 of the revenue act of 1916, as amended by the revenue act of 1917, and by section 4 of the revenue act of 1917, there shall be levied, collected, and paid for each taxable year upon the net income of every corporation a tax, as follows:

(a) In the case of a domestic corporation 18 per cent of the amount of the net income in excess of the credits provided in section 236: *Provided*, That the rate shall be 12 per cent upon so much of this amount as does not exceed the sum of (1) the amount of dividends paid during the taxable year, plus (2) the amount paid during the taxable year out of earnings or profits in discharge of bonds and other interest-bearing obligations outstanding prior to the beginning of the taxable year, plus (3) the amount paid during the taxable year in the purchase of obligations of the United States issued after September 1, 1918; and

(b) In the case of a foreign corporation 18 per cent of the amount of the net income in excess of the credits provided in section 236: *Provided*, That the rate shall be 12 per cent upon so much of this amount as does not exceed the sum of (1) the amount of dividends paid during the taxable year to citizens or residents of the United States or to domestic corporations or partnerships, plus (2) the same proportion of the amount paid during the taxable year out of earnings or profits in discharge of bonds or other interest-bearing obligations outstanding at the beginning of the taxable year which the amount of gross income of the corporation from sources within the United States bears to the amount of its gross income from all sources within and without the United States, plus (3) the amount paid during the taxable year in the purchase of obligations of the United States issued after September 1, 1918.

CONDITIONAL AND OTHER EXEMPTIONS.

SEC. 231. That the following organizations shall be exempt from taxation under this title—

(1) Labor, agricultural, or horticultural organizations;

(2) Mutual savings banks not having a capital stock represented by shares;

(3) Fraternal beneficiary societies, orders, or associations, (a) operating under the lodge system or for the exclusive benefit of the members of a fraternity itself operating under the lodge system, and (b) providing for the payment of life, sick, accident, or other benefits to the members of such society, order, or association or their dependents;

(4) Domestic building and loan associations and cooperative banks without capital stock organized and operated for mutual purposes and without profit;

(5) Cemetery companies owned and operated exclusively for the benefit of their members;

(6) Corporations organized and operated exclusively for religious, charitable, scientific, or educational purposes, no part of the net earnings of which inures to the benefit of any private stockholder or individual;

(7) Business leagues, chambers of commerce, or boards of trade, not organized for profit and no part of the net earnings of which inures to the benefit of any private stockholder or individual;

(8) Civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare;

(9) Clubs organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes, no part of the net earnings of which inures to the benefit of any private stockholder or member;

(10) Farmers' or other mutual hail, cyclone, or fire insurance companies, mutual ditch or irrigation companies, mutual or cooperative telephone companies, or like organizations of a purely local character, the income of which consists solely of assessments, dues, and fees collected from members for the sole purpose of meeting expenses;

(11) Farmers', fruit growers', or like associations, organized and operated as sales agents for the purpose of marketing the products of members and turning back to them the proceeds of sales, less the necessary selling expenses, on the basis of the quantity of produce furnished by them;

(12) Corporations organized for the exclusive purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof, less expenses, to an organization which itself is exempt from the tax imposed by this title;

(13) Federal land banks and national farm-loan associations as provided in section 26 of the act approved July 17, 1916, entitled "An act to provide capital for agricultural development, to create standard forms of investment based upon farm mortgage, to equalize rates of interest upon farm loans, to furnish a market for United States bonds, to create Government depositaries and financial agents for the United States, and for other purposes";

(14) Joint-stock land banks as to income derived from bonds or debentures of other joint-stock land banks or any Federal land bank belonging to such joint-stock land bank.

NET INCOME DEFINED.

SEC. 232. That in the case of a corporation the term "net income" means the gross income as defined in section 233 less the deductions allowed by section 234, and the net income shall be computed on the same basis as is provided in subdivision (b) of section 212 or in section 226.

GROSS INCOME DEFINED.

SEC. 233. (a) That in the case of a corporation the term "gross income" means the gross income as defined in section 213, except that—

(1) In the case of life insurance companies there shall not be included in gross income such portion of any actual premium received from any individual policyholder within the taxable year as is paid back or credited to or treated as an abatement of premium of such policyholder within the taxable year.

(2) Mutual marine insurance companies shall include in gross income the gross premiums collected and received by them less amounts paid for reinsurance.

(b) In the case of a foreign corporation gross income includes only the gross income from sources within the United States, including the interest on bonds, notes, or other interest-bearing obligations of residents, corporate or otherwise, and including dividends from resident corporations.

DEDUCTIONS ALLOWED.

SEC. 234. (a) That in computing the net income of a corporation subject to the tax imposed by section 230, there shall be allowed as deductions:

(1) All the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business, including a reasonable allowance for salaries or other compensation for personal services actually rendered, and including rentals or other payments required to be made as a condition to the continued use or possession of property to which the corporation has not taken or is not taking title, or in which it has no equity;

(2) All interest paid or accrued within the taxable year on its indebtedness, or, in the case of a foreign corporation, the proportion of such interest paid which the amount of its gross income from sources within the United States bears to the amount of its gross income from all sources within and without the United States;

(3) Taxes paid or accrued within the taxable year imposed (a) by the authority of the United States, except income, war-profits and excess-profits taxes; or (b) by the authority of any of its possessions, except the amount of income, war-profits and excess-profits taxes allowed as a credit under section 238; or (c) by the authority of any State or Territory, or any county, school district, municipality, or other taxing subdivision of any State or Territory, not including those assessed against local benefits; or (d) in the case of a domestic corporation, by the authority of any foreign country, except the amount of income, war-profits and excess-profits taxes allowed as a credit under section 238: *Provided*, That in the case of obligors specified in subdivision (b) of section 221 no deduction for the payment of the tax imposed by this title or any other tax paid pursuant to the contract or provision referred to in that subdivision shall be allowed;

(4) Losses sustained and charged off during the taxable year and not compensated for by insurance or otherwise;

(5) Debts ascertained to be worthless and charged off within the taxable year;

(6) Amounts received as dividends from a corporation which is taxable under this title upon its net income;

(7) A reasonable allowance for the exhaustion or wear and tear of property used in the trade or business, but in the case of a foreign corporation only as to property within the United States;

(8) In the case of buildings, machinery, equipment, or other facilities, constructed, erected, installed, or acquired, on or after April 6, 1917, for the production of articles contributing to the prosecution of the present war, there may be allowed a reasonable deduction for the amortization of such part of the cost of such facilities as has been borne by the taxpayer, but not again including amounts otherwise allowed under this title for depreciation, exhaustion, or wear and tear. At any time within three years after the termination of the present war with the Imperial German Government as declared by proclamation of the President, the commissioner may, and at the request of the taxpayer shall, reexamine the return, and if he then finds as a result of an appraisal or from other evidence that the deduction originally allowed was incorrect, the necessary adjustment of the taxes for the year or years affected shall be made and the amount of tax due upon such readjustment, if any, shall be paid upon notice and demand by the collector, or the amount of tax overpaid, if any, shall be credited or refunded to the taxpayer in accordance with the provisions of section 252. In the case of a nonresident alien individual this deduction shall be allowed only as to facilities within the United States. In no case shall the deduction allowed under this paragraph exceed 25 per cent of the taxpayer's net income as computed without the benefit of this paragraph;

(9) (a) In the case of oil and gas wells a reasonable allowance for actual reduction in flow and production to be ascertained not by the flush flow but by the settled production or regular flow; (b) in the case of mines a reasonable allowance for depletion; (c) in the case of mines, oil and gas wells, other natural deposits and timber, a reasonable allowance for depreciation of improvements; such reasonable allowance in all the above cases to be made according to the peculiar conditions in each case and under rules and regulations to be prescribed by the commissioner with the approval of the Secretary. In the case of leases the deductions allowed by this paragraph shall be equitably apportioned between the lessor and lessee. In the case of a foreign corporation the deductions under this paragraph shall be allowed only as to property within the United States;

(10) In the case of insurance companies, in addition to the above: (a) The net addition required by law to be made within the taxable year to reserve funds (including in the case of assessment insurance companies the actual deposit of sums with State or Territorial officers pursuant to law as additions to guarantee or reserve funds); and (b) the sums other than dividends paid within the taxable year on policy and annuity contracts;

(11) In the case of corporations issuing policies covering life, health, and accident insurance combined in one policy issued on the weekly premium payment plan continuing for life and not subject to cancellation, in addition to the above, such portion of the net addition (not required by law) made within the taxable year to reserve funds as the commissioner finds to be required for the protection of the holders of such policies only;

(12) In the case of mutual marine insurance companies, there shall be allowed, in addition to the deductions allowed in paragraphs (1) to (10), inclusive, amounts repaid to policyholders on account of premiums previously paid by them, and interest paid upon such amounts between the ascertainment and the payment thereof;

(13) In the case of mutual insurance companies (other than mutual life or mutual marine insurance companies) requiring their members to make premium deposits to provide for losses and expenses, there shall be allowed, in addition to the deductions allowed in paragraphs (1) to (10), inclusive, the amount of premium deposits returned to their policyholders and the amount of premium deposits retained for the payment of losses, expenses, and reinsurance reserves.

(b) In the case of a foreign corporation the deductions allowed in subdivision (d), except those allowed in paragraphs (2) and (3), shall be allowed only if and to the extent that they are connected with a trade or business carried on within the United States; and the proper apportionment and allocation of the deductions with respect to trade or business within and without the United States shall be determined under rules and regulations prescribed by the commissioner with the approval of the Secretary.

ITEMS NOT DEDUCTIBLE.

SEC. 235. That in computing net income no deduction shall in any case be allowed in respect of any of the items specified in section 215.

CREDITS ALLOWED.

SEC. 236. That there shall be allowed the following credits:

(a) The amount received as interest upon obligations of the United States, any State, Territory, any political subdivision thereof, or the District of Columbia, which is included in gross income under section 233;

(b) The amount of any war-profits or excess-profits taxes imposed by act of Congress for the same taxable year: *Provided*, That in the case of a corporation which makes return for a fiscal year beginning in 1917 and ending in 1918, the portion of the excess-profits tax specified in clause (1) of section 335 shall be credited against that portion of the net income specified in clause (1) of section 239, and the portion of the war-profits or excess-profits tax specified in clause (2) of section 335 shall be credited against that portion of the net income specified in clause (2) of section 239.

PAYMENT OF TAX AT SOURCE.

SEC. 237. That in the case of foreign corporations not engaged in trade or business within the United States and not having any office or place of business therein, there shall be deducted and withheld at the source in the same manner and upon the same items of income as is provided in section 221 a tax equal to 18 per cent thereof, and such tax shall be returned and paid in the same manner and subject to the same conditions as provided in that section: *Provided*, That in the case of interest described in subdivision (b) of that section the deduction and withholding shall be at the rate of 2 per cent.

CREDIT FOR FOREIGN TAXES.

SEC. 238. That in the case of a domestic corporation the total income, war-profits, and excess-profits taxes imposed for the taxable year by act of Congress shall be credited with the amount of any income, war-profits, and excess-profits taxes paid during the taxable year to any foreign country, Porto Rico, or the Philippine Islands, upon income derived from sources therein.

This credit shall be allowed only if the taxpayer furnishes evidence satisfactory to the commissioner showing the amount of income received from sources within such foreign country, Porto Rico, or the Philippine Islands, as the case may be, and all other information necessary for the computation of such credit.

RATES FOR FISCAL YEAR 1917–18.

SEC. 239. That if a corporation makes return for a fiscal year beginning in 1917 and ending in 1918 the net income shall be divided into two parts, namely: (1) The portion which bears the same ratio to the total net income as the period between the beginning of such fiscal year and December 31, 1917, bears to the full fiscal year; and (2) the remaining portion of the net income.

The portion specified in clause (1) shall be subject to the rates prescribed by Title I of the revenue act of 1917 and by Title I of the revenue act of 1916 as amended by the revenue act of 1917; and the portion specified in clause (2) shall be subject to the rates prescribed by this title.

CORPORATION RETURNS.

SEC. 240. That every corporation not exempt under section 231 shall make a return, stating specifically the items of its gross income and the deductions and credits allowed by this title. The return shall be sworn to by the president, vice president, or other principal officer and by the treasurer or assistant treasurer. If any foreign corporation has no office or place of business in the United States, but has an agent in the United States, the return shall be made by the agent. In cases where receivers, trustees in bankruptcy, or assignees are operating the property or business of corporations, such receivers, trustees, or assignees shall make returns for such corporations in the same manner and form as corporations are required to make returns. Any tax due on the basis of such returns made by receivers, trustees, or assignees shall be collected in the same manner as if collected from the corporations of whose business or property they have custody and control.

Returns made under this section shall be subject to the provisions of sections 226 and 228.

TIME AND PLACE FOR FILING RETURNS.

SEC. 241. (a) That returns of corporations shall be made at the same time as is provided in subdivision (a) of section 227.

(b) Returns shall be made to the collector of the district in which is located the principal place of business or principal office or agency of the corporation, or, if it has no principal place of business or principal office or agency in the United States, then to the collector at Baltimore, Md.

Part IV.—Administrative provisions.

PAYMENT OF TAXES.

SEC. 250. That except as provided in sections 221 and 237 the tax shall be paid in installments, one-third of the amount of the tax shown in the return to be paid at the time fixed by law for filing the return, one-third on the 15th day of the second month thereafter, and the remaining one-third on the 15th day of the fourth month after the time fixed by law for filing the return; but where an extension of time for filing the return is granted, the first installment shall be due upon the expiration of the period of such extension, and the second and third installments shall be due as above stated, except that in the case of any taxpayer who is abroad the commissioner may extend the time for payment of the second and third installments not more than four months after the expiration of the period of any extension of time for filing his return. If any installment is not paid when due, the whole amount of the tax unpaid shall become due and payable upon notice and demand by the collector.

The tax may at the option of the taxpayer be paid in a single payment instead of in installments, in which case the total amount shall be paid on or before the time fixed by law for filing the return, or, where an extension of time for filing the return has been granted, on or before the expiration of the period of such extension.

As soon as practicable after the return is filed, the commissioner shall examine it. If it then appears that the correct amount of the tax is greater or less than that shown in the return, the installments shall be recomputed. If the amount already paid exceeds that which should have been paid on the basis of the installments as recomputed, the excess so paid shall be credited against the next installments falling due; and if the amount already paid exceeds the correct amount of the tax, the excess shall be credited or refunded to the taxpayer in accordance with the provisions of section 252.

If the amount already paid is less than that which should have been paid, the difference shall, to the extent not covered by any credits then due to the taxpayer under section 252, be paid upon notice and demand by the collector. In such case if the return is made in good faith and the understatement of the amount in the return is not due to any fault of the taxpayer, there shall be no penalty because of such understatement. If the understatement is due to negligence on the part of the taxpayer, but without intent to defraud, there shall be added as part of the tax 5 per cent of the total amount of the deficiency, plus interest at the rate of 1 per cent per month on the amount of the deficiency of each installment from the time the installment was due.

If the understatement is false or fraudulent with intent to evade the tax, then, in addition to other penalties provided by law for false or fraudulent returns, there shall be added as part of the tax 100 per cent of the amount of the deficiency.

If the return is made pursuant to section 3176 of the Revised Statutes as amended, the amount of tax determined to be due under such return shall be paid upon notice and demand by the collector.

Except in the case of false or fraudulent returns, the amount of tax due under any return shall be determined and assessed by the commissioner within five years after the return was due or was made, and no suit or proceeding for the collection of any tax shall be begun after the expiration of five years after the date when the return was due or was made. In the case of false or fraudulent returns, the amount of tax due may be determined at any time after the return is filed, and the tax may be collected at any time after it becomes due.

If any tax remains unpaid after the date when it is due, and for 10 days after notice and demand by the collector, then, except in the case of estates of insane, deceased, or insolvent persons, there shall be added as part of the tax the sum of 5 per cent of the amount due but unpaid, plus interest at the rate of 1 per cent per month upon such amount from the time it became due.

RECEIPTS FOR TAXES.

SEC. 251. That every collector to whom any payment of any tax is made under the provisions of this title shall give to the person making such payment a full written or printed receipt, stating the amount paid and the particular account for which such payment was made; and whenever any debtor pays taxes on account of payments made or to be made by him to separate creditors the collector shall, if requested by such debtor, give a separate receipt for the tax paid on account of each creditor in such form that the debtor can conveniently produce such receipts separately to his several creditors in satisfaction of their respective demands up to the amounts stated in the receipts; and such receipt shall be sufficient evidence in favor of such debtor to justify him in withholding from his next payment to his creditor the amount therein stated; but the creditor may, upon giving to his debtor a full written receipt acknowledging the payment to him of any sum actually paid and accepting the amount of tax paid as aforesaid (specifying the same) as a further satisfaction of the debt to that amount, require the surrender to him of such collector's receipt.

REFUNDS.

SEC. 252. That if, upon examination of any return of income made pursuant to this act, the act of August 5, 1909, entitled "An act to provide revenue, equalize duties, and encourage the industries of the United States, and for other purposes," the act of October 3, 1913, entitled "An act to reduce tariff duties and to provide revenue for the Government, and for other purposes," the revenue act of 1916, as amended, or the revenue act of 1917, it appears that an amount of income, war-profits or excess-profits tax has been paid in excess of that properly due, then, subject to the provisions of section 3228 of the Revised Statutes, the amount of the excess shall be credited against any income, war-profits or excess-profits taxes, or installment thereof, then due from the taxpayer under any other return, and any balance of such excess shall be immediately refunded to the taxpayer.

PENALTIES.

SEC. 253. That any individual, corporation, or partnership required under this title to pay or collect any tax, to make a return, or to supply information, who fails to pay or collect such tax, to make such return, or to supply such information at the time or times required under this title, shall be liable to a penalty of not more than $1,000. Any individual, corporation, or partnership, or any officer or employee of any corporation or member or employee of a partnership, who willfully refuses to pay or collect such tax, to make such return, or to supply such information at the time or times required under this title, or who willfully attempts in any manner to defeat or evade the tax imposed by this title, shall be guilty of a misdemeanor and shall be fined not more than $10,000 or imprisoned for not more than one year, or both, together with the costs of prosecution.

RETURNS OF PAYMENTS OF DIVIDENDS.

SEC. 254. That every corporation subject to the tax imposed by this title shall, when required by the commissioner, render a correct return duly verified under oath, of its payments of dividends, stating the name and address of each stockholder, the number of shares owned by him, and the amount of dividends paid to him.

RETURNS OF BROKERS.

SEC. 255. That every individual, corporation, or partnership doing business as a broker on any exchange or board of trade or other similar place of business shall, when required by the commissioner, render a correct return duly verified under oath, under such rules and regulations as the commissioner, with the approval of the Secretary, may prescribe, showing the names of customers for whom such individual, corporation, or partnership has transacted any business, with such details as to the profits, losses, or other information which the commissioner may require, as to each of such customers, as will enable the commissioner to determine whether all income tax due on profits or gains of such customers has been paid.

INFORMATION AT SOURCE.

SEC. 256. That all individuals, corporations, and partnerships, in whatever capacity acting, including lessees or mortgagors of real or personal property, fiduciaries, and employers, making payment to another individual, corporation, or partnership, of interest, rent, salaries, wages, premiums, annuities, compensations, remunerations, emoluments, or other fixed or determinable gains, profits, and income (other than payments described in sections 254 and 255), of $1,000 or more in any taxable year, or, in the case of such payments made by the United States, the officers or employees of the United States having information as to such payments and required to make returns in regard thereto by the regulations hereinafter provided for, shall render a true and accurate return to the commissioner, under such regulations and in such form and manner as may be prescribed by him with the approval of the Secretary, setting forth the amount of such gains, profits, and income, and the name and address of the recipient of such payment.

Such returns may be required, regardless of amounts, (1) in the case of payments of interest upon bonds, mortgages, deeds of trust, or other similar obligations of corporations, and (2) in the case of collections of items (not payable in the United States) of interest upon the bonds of foreign countries and interest upon the bonds of and dividends from foreign corporations by individuals, corporations, or partnerships, undertaking as a matter of business or for profit the collection of foreign payments of such interest or dividends by means of coupons, checks, or bills of exchange.

When necessary to make effective the provisions of this section the name and address of the recipient of income shall be furnished upon demand of the individual, corporation, or partnership paying the income.

The provisions of this section shall apply to the calendar year 1918 and each calendar year thereafter, but shall not apply to the payment of interest on obligations of the United States.

RETURNS TO BE PUBLIC RECORDS.

SEC. 257. That returns upon which the tax has been determined by the commissioner shall be filed in the office of the commissioner and shall constitute public records; but they shall be open to inspection only upon order of the President and under rules and regulations prescribed by the Secretary and approved by the President: *Provided*, That the proper officers of any State imposing an income tax to which corporations are subject may, upon the request of the governor thereof, have access to the returns of any corporation, or to an abstract thereof showing the name and income of the corporation, at such times and in such manner as the Secretary may prescribe.

The commissioner shall as soon as practicable in each year cause to be prepared and made available to public inspection in the office of each collector a list containing the names in alphabetical order and the post-office addresses of all individuals making income-tax returns in such district.

PUBLICATION OF STATISTICS.

SEC. 258. That the commissioner, with the approval of the Secretary, shall prepare and publish annually statistics reasonably available with respect to the operation of the income, war-profits, and excess-profits tax laws, including classifications of taxpayers and of income, the amounts allowed as deductions, exemptions, and credits, and any other facts deemed pertinent and valuable.

COLLECTION OF FOREIGN ITEMS.

SEC. 259. That all individuals, corporations, or partnerships undertaking as a matter of business or for profit the collection of foreign payments of interest or dividends by means of coupons, checks, or bills of exchange shall obtain a license from the commissioner and shall be subject to such regulations enabling the Government to obtain the information required under this title as the commissioner, with the approval of the Secretary, shall prescribe; and whoever knowingly undertakes to collect such payments without having obtained a license therefor, or without complying with such regulations, shall be guilty of a misdemeanor and shall be fined not more than $5,000, or imprisoned for not more than one year, or both.

PORTO RICO AND PHILIPPINE ISLANDS.

SEC. 260. That in Porto Rico and the Philippine Islands the income tax shall be levied, assessed, collected, and paid in accordance with the provisions of the revenue act of 1916, as amended by the revenue act of 1917: *Provided*, That the Porto Rican or Philippine Legislature shall have power by due enactment to amend, alter, modify, or repeal the income-tax laws in force in Porto Rico or the Philippine Islands, respectively.

TITLE III.—WAR EXCESS-PROFITS TAX.

Part I.—General definitions.

SEC. 300. That when used in this title the terms "taxable year," "fiscal year," and "dividends" shall have the same meaning as provided for the purposes of income tax in sections 200 and 201. The first taxable year for the purposes of this title shall be the same as the first taxable year for the purposes of the income tax under Title II.

Part II.—Imposition of tax.

SEC. 301. That in lieu of the tax imposed by Title II of the revenue act of 1917, but in addition to the other taxes imposed by this act, there shall be levied, collected, and paid for each taxable year upon

the net income of every corporation, a tax equal to 80 per cent of the amount of the net income in excess of the war-profits credit (determined under section 311).

SEC. 302. That the corporations enumerated in section 231 shall, to the extent that they are exempt from income tax under Title II, be exempt from taxation under this title.

Part III.—War excess-profits method.

SEC. 310. That as used in this title the term "prewar period" means the calendar years 1911, 1912, and 1913, or, if a corporation was not in existence during the whole of such period, then as many of such years during the whole of which the corporation was in existence.

SEC. 311. (a) That the war-profits credit shall be an amount equal to the average net income of the corporation for the prewar period, plus or minus as the case may be 10 per cent of the invested capital added or withdrawn since January 1, 1913; but if the tax is computed for a period of less than 12 months, such amount shall be reduced to the same proportion thereof as the number of months in the period is of 12 months.

(b) If the corporation was not in existence during the whole of any one calendar year in the prewar period or had no net income, the war-profits credit shall be an amount that shall be the same proportion of the net income of the corporation during the taxable year as the proportion which the war excess profits for the same calendar year of representative corporations engaged in a like or similar trade or business bears to the total net income of the trade or business received by such corporation. In the case of a foreign corporation, the net income received from sources within the United States during the taxable year shall be used as the basis of computation.

(c) In the case of a foreign corporation by deducting from the net income of the trade or business received from sources within the United States during the taxable year the average amount of the annual net income of the trade or business from sources within the United States during the prewar period.

Part V.—Net income.

SEC. 320. (a) That for the purpose of this title the net income of a corporation shall be ascertained and returned—

(1) For the calendar years 1911 and 1912 upon the same basis and in the same manner as provided in section 38 of the act entitled "An act to provide revenue, equalize duties, and encourage the industries of the United States, and for other purposes," approved August 5, 1909, except that taxes imposed by such section and paid by the corporation within the year shall be included;

(2) For the calendar year 1913 upon the same basis and in the same menner as provided in Section II of the act entitled "An act to reduce tariff duties and to provide revenue for the Government, and for other purposes," approved October 3, 1913, except that taxes imposed by section 38 of such act of August 5, 1909, and paid by the corporation within the year shall be included, and except that the amounts received by it as dividends upon the stock or from the net earnings of other corporations subject to the tax imposed by Section II of such act of October 3, 1913, shall be deducted; and

(3) For the taxable year upon the same basis and in the same manner as provided for income-tax purposes in Title II of this act, except that in the case of oil and gas wells there shall be deducted (in lieu of the deduction provided in clause (a) of paragraph (9) of subdivision (a) of section 234) a reasonable allowance for depletion (including in the case of producers or prospectors a reasonable allowance for hazard not to exceed 10 per cent of the value in the ground of the oil withdrawn during the taxable year), such deduction to be made under rules and regulations to be prescribed by the commissioner with the approval of the Secretary.

(b) The average net income for the prewar period shall be determined by dividing the number of years within that period during the whole of which the corporation was in existence into the sum of the net income for such years, even though there may have been no net income for one or more of such years.

Part VI.—Invested capital.

SEC. 325. (a) That as used in this title—

The term "intangible property" means patents, copyrights, secret processes and formulæ, good will, trade-marks, trade-brands, franchises, and other like property;

The term "tangible property" means stocks, bonds, notes, and other evidences of indebtedness, bills and accounts receivable, leaseholds, and other property other than intangible property;

The term "borrowed capital" means money or other property borrowed, whether represented by bonds, notes, open accounts, or otherwise;

The term "inadmissible assets" means stocks, bonds, and other obligations (other than obligations of the United States), the dividends or interest from which is not included in computing net income, but where the income derived from such assets consists in part of gain or profit derived from the sale or other disposition thereof, a corresponding part of the capital invested in such assets shall not be deemed to be inadmissible assets.

(b) For the purposes of this title the par value of stock or shares shall, in the case of stock or shares having no par value, be deemed to be the fair market value as of the date or dates of issue of such stock or shares.

SEC. 326. (a) That as used in this title the term "invested capital" means (except as provided in subdivisions (b) and (c) of this section):

(1) Actual cash bona fide paid in for stock or shares;

(2) Actual cash value of tangible property, other than cash, bona fide paid in for stock or shares, at the time of such payment, but in no case to exceed the par value of the original stock or shares specifically issued therefor;

(3) Paid-in or earned surplus and undivided profits; not including surplus and undivided profits earned during the taxable year, and not including the increase in the value of any asset above the original cost until such increase is actually realized by sale;

(4) Intangible property bona fide paid in for stock or shares prior to March 3, 1917, in an amount not exceeding (a) the actual cash value of such property at the time paid in, (b) the par value of the stock or shares issued therefor, or (c) in the aggregate 20 per cent of the par value of the total stock or shares of the corporation outstanding on March 3, 1917, whichever is lowest;

(5) Patents and copyrights bona fide paid in for stock or shares on or after March 3, 1917, in an amount not exceeding (a) the actual cash value of such property at the time paid in, (b) the par value of the stock or shares issued therefor, or (c) in the aggregate 20 per cent of the par value of the total stock or shares of the corporation outstanding at the beginning of the taxable year, whichever is lowest; but

(b) As used in this title the term "invested capital" does not include:

(1) Borrowed capital; or

(2) Intangible property (other than patents and copyrights) paid in for stock or shares on or after March 3, 1917.

(c) There shall be deducted from invested capital as above defined an amount equal to the average amount of capital invested in inadmissible assets held by the corporation during the year: *Provided*, That at the option of the corporation the amount to be so deducted shall be reduced to the amount by which such average amount invested in inadmissible assets exceeds the average amount of borrowed capital of the corporation (other than indebtedness maturing within one year of its creation), all accounts payable and current liabilities, for such year, but in such case in computing the tax under this title there shall be included in the net income for such year the same proportion of the total amount of interest and dividends received during such year from such inadmissible assets as the amount of such capital invested in inadmissible assets not deducted from invested capital bears to the total amount of such inadmissible assets.

(d) In the case of a foreign corporation the term "invested capital" includes only its invested capital used or employed within the United States.

(e) The invested capital for any year shall be the average invested capital for such year, as above defined, but in the case of a corporation making a return for a fractional part of the year a corresponding reduction shall be made in the invested capital.

SEC. 327. (a) That in the following cases the invested capital shall be determined as provided in subdivision (b) of this section: (1) Where the commissioner is unable satisfactorily to determine the invested capital as provided in section 326; or (2) where a mixed aggregate of tangible property and intangible property has been paid in for stock or for stock and bonds and the commissioner is unable satisfactorily to determine the respective values of the several classes of property at the time of payment, or to distinguish the classes of property paid in for stock and for bonds, respectively; or (3) where capital is a material income-producing factor, but where, because of the fact that the capital employed is in large part borrowed, there is no invested capital. This section shall not apply in the case of a corporation 50 per cent or more of whose gross income (as defined in section 213 for income tax purposes) consists of gain, profits, or commissions derived from Government contracts, unless the commissioner is satisfied that such corporation is overcapitalized.

(b) In the cases specified in subdivision (a) the invested capital shall be the amount which bears the same ratio to the net income of the corporation for the taxable year as the average invested capital for the taxable year of representative corporations engaged in a like or similar trade or business bears to their average net income for such year.

SEC. 328. (a) That in cases where invested capital is to be determined in the manner provided in section 327, the commissioner shall compare the taxpayer only with representative corporations whose invested capital can be satisfactorily determined under section 326 and which are, as nearly as may be, similarly circumstanced with respect to gross income, net income, profits per unit of business transacted and capital employed, the amount and rate of war or excess profits, and all other relevant facts and circumstances.

(b) For the purposes of section 327 the ratios between the average invested capital and the average net income of representative corporations shall be determined for each calendar year by the commissioner in accordance with regulations prescribed by him with the approval of the Secretary.

In the case of a corporation making a return on the basis of a fiscal year the ratios determined for the calendar year ending during such fiscal year shall be used, except that in the case of a fiscal year ending during the calendar year 1918 the ratios based upon returns made under Title II of the revenue act of 1917 shall be used.

(c) The commissioner shall keep a record of all cases in which invested capital is determined in the manner prescribed in section 327, containing the name and address of each taxpayer, the business in which engaged, the amount of invested capital and net income shown by the return, and the amount of invested capital as determined under such section. The commissioner shall furnish a copy of such record and other detailed information with respect to such cases when required by resolution of either House of Congress, without regard to the restrictions contained in section 257.

Part VII.—Reorganizations.

SEC. 330. That in the case of the reorganization, consolidation, or change of ownership after January 1, 1911, of a trade or business now carried on by a corporation, the corporation shall for the purposes of this title be deemed to have been in existence prior to that date, and the net income and invested capital of such predecessor trade or business for all or any part of the prewar period prior to the organization of the corporation now carrying on such trade or business shall be deemed to have been the net income and invested capital of such corporation.

If such predecessor trade or business was carried on by a partnership or individual the net income for the prewar period shall be ascertained and returned upon the same basis and in the same manner as provided for income tax purposes in Title II, except that the credits provided in subdivisions (a) and (b) of section 216 shall be deducted.

SEC. 331. In the case of the reorganization, consolidation, or change of ownership of a trade or business after March 3, 1917, if an interest or control in such trade or business of 50 per cent or more remains in the same persons, or any of them, then no asset transferred or received from the predecessor trade or business shall, for the purpose of determining invested capital, be allowed a greater value than would have been allowed under this title in computing the invested capital of such prior trade or business if such asset had not been so transferred or received.

Part VIII.—Miscellaneous.

SEC. 335. That if a corporation makes return for a fiscal year beginning in 1917 and ending in 1918, the tax for the first taxable year under this title shall be the sum of: (1) a tax computed under Title II of the revenue act of 1917 for the portion of such fiscal year falling in 1917; and (2) a tax computed under this title for the portion of such fiscal year falling in 1918.

The tax under clause (1) shall be computed upon the same proportion of the net income (as determined under Title II of this act for income tax purposes) for such fiscal year as the portion of such fiscal year falling in 1917 is of the full fiscal year; and the tax under clause (2) shall be computed upon the remainder of such net income.

SEC. 336. That every corporation, not exempt under section 304, having a net income of $3,000 or over for the taxable year shall make a return for the purposes of this title. Such returns shall be made,

and the taxes imposed by this title shall be paid, at the same times and places, in the same manner, and subject to the same conditions as is provided in the case of returns and payment of income tax by corporations for the purposes of Title II, and all the provisions of that title not inapplicable, including penalties, are hereby made applicable to the taxes imposed by this title.

In no case shall the tax under this title or Title II be determined on the basis of a so-called consolidated return but shall in each case be determined upon the basis of the net income and invested capital of the corporation liable to the tax.

TITLE IV.—ESTATE TAX.

SEC. 400. That when used in this title—

The term "executor" means the executor or administrator of the decedent, or, if there is no executor or administrator, any person who takes possession of any property of the decedent; and

The term "collector" means the collector of internal revenue of the district in which was the domicile of the decedent at the time of his death, or, if there was no such domicile in the United States, then the collector of the district in which is situated the part of the gross estate of the decedent in the United States, or, if such part of the gross estate is situated in more than one district, then the collector of internal revenue of such district as may be designated by the commissioner.

SEC. 401. That (in lieu of the tax imposed by Title II of the revenue act of 1916, as amended, and in lieu of the tax imposed by Title IX of the revenue act of 1917) a tax equal to the sum of the following percentages of the value of the net estate (determined as provided in section 403) is hereby imposed upon the transfer of the net estate of every decedent dying after the passage of this act, whether a resident or nonresident of the United States:

Three per cent of the amount of the net estate not in excess of $50,000;

6 per cent of the amount by which the net estate exceeds $50,000 and does not exceed $150,000;

9 per cent of the amount by which the net estate exceeds $150,000 and does not exceed $250,000;

12 per cent of the amount by which the net estate exceeds $250,000 and does not exceed $450,000;

15 per cent of the amount by which the net estate exceeds $450,000 and does not exceed $1,000,000;

18 per cent of the amount by which the net estate exceeds $1,000,000 and does not exceed $2,000,000;

21 per cent of the amount by which the net estate exceeds $2,000,000 and does not exceed $3,000,000;

24 per cent of the amount by which the net estate exceeds $3,000,000 and does not exceed $4,000,000;

27 per cent of the amount by which the net estate exceeds $4,000,000 and does not exceed $5,000,000;

30 per cent of the amount by which the net estate exceeds $5,000,000 and does not exceed $8,000,000;

35 per cent of the amount by which the net estate exceeds $8,000,000 and does not exceed $10,000,000; and

40 per cent of the amount by which the net estate exceeds $10,000,000.

SEC. 402. That the value of the gross estate of the decedent shall be determined by including the value at the time of his death of all property, real or personal, tangible or intangible, wherever situated—

(a) To the extent of the interest therein of the decedent at the time of his death which after his death is subject to the payment of the charges against his estate and the expenses of its administration and is subject to distribution as part of his estate;

(b) To the extent of any interest therein of the surviving spouse, existing at the time of the decedent's death as dower, courtesy, or by virtue of a statute creating an estate in lieu of dower or courtesy;

(c) To the extent of any interest therein of which the decedent has at any time made a transfer, or with respect to which he has at any time created a trust, in contemplation of or intended to take effect in possession or enjoyment at or after his death (whether such transfer or trust is made or created before or after the passage of this act), except in case of a bona fide sale for a fair consideration in money or money's worth. Any transfer of a material part of his property in the nature of a final disposition or distribution thereof, made by the decedent within three years prior to his death without such a consideration, shall, unless shown to the contrary, be deemed to have been made in contemplation of death within the meaning of this title;

(d) To the extent of the interest therein held jointly or as tenants in the entirety by the decedent and any other person, or deposited in banks or other institutions in their joint names and payable to either or the survivor, except such part thereof as may be shown to have originally belonged to such other person and never to have belonged to the decedent;

(e) To the extent of any property passing under a general power of appointment exercised by the decedent (1) by will, or (2) by deed executed in contemplation of, or intended to take effect in possession or enjoyment at or after, his death, except in case of a bona fide sale for a fair consideration in money or money's worth; and

(f) To the extent of the amount receivable by the executor as insurance under policies taken out by the decedent upon his own life; and to the extent of the excess over $40,000 of the amount receivable by all other beneficiaries as insurance under policies taken out by the decedent upon his own life.

SEC. 403. That for the purpose of the tax the value of the net estate shall be determined—

(a) In the case of a resident, by deducting from the value of the gross estate—

(1) Such amounts for funeral expenses, administration expenses, claims against the estate, unpaid mortgages, losses incurred during the settlement of the estate arising from fires, storms, shipwreck, or other casualty, or from theft, when such losses are not compensated for by insurance or otherwise, and such amounts reasonably required and actually expended for the support during the settlement of the estate of those dependent upon the decedent, as are allowed by the laws of the jurisdiction, whether within or without the United States, under which the estate is being administered, but not including any income taxes upon income received after the death of the decedent, or any estate, succession, legacy, or inheritance taxes;

(2) An amount equal to the value at the time of the decedent's death of any property, real, personal, or mixed, which can be identified as having been received by the decedent as a share in the estate of any person who died within five years prior to the death of the decedent, or which can be identified as having been acquired by the decedent in exchange for property so received, if an estate tax under the revenue act of 1917 or under this act was collected from such estate, and if such property is included in the decedent's gross estate; and

(3) An exemption of $50,000;

(b) In the case of a nonresident, by deducting from the value of that part of his gross estate which at the time of his death is situated in the United States—

(1) That proportion of the deductions specified in paragraph (1) of subdivision (a) of this section which the value of such part bears to the value of his entire gross estate, wherever situated, but in no case shall the amount so deducted exceed 10 per cent of the value of that part of his gross estate which at the time of his death is situated in the United States; and

(2) An amount equal to the value at the time of the decedent's death of any property, real, personal, or mixed, which can be identified as having been received by the decedent as a share in the estate of any person who died within five years prior to the death of the decedent, or which can be identified as having been acquired by the decedent in exchange for property so received, if an estate tax under the revenue act of 1917 or under this act was collected from such estate, and if such property is included in that part of the decedent's gross estate which at the time of his death is situated in the United States.

No deductions shall be allowed in the case of a nonresident unless the executor includes in the return required to be filed under section 404 of the value at the time of his death of that part of the gross estate of the nonresident not situated in the United States.

For the purpose of this title stock in a domestic corporation owned and held by a nonresident decedent, and the amount receivable as insurance upon the life of a nonresident decedent where the insurer is a domestic corporation, shall be deemed property within the United States, and any property of which the decedent has made a transfer or with respect to which he has created a trust, within the meaning of subdivision (c) of section 402, shall be deemed to be situated in the United States, if so situated either at the time of the transfer or the creation of the trust, or at the time of the decedent's death.

SEC. 404. That the executor, within 60 days after qualifying as such, or after coming into possession of any property of the decedent, whichever event first occurs, shall give written notice thereof to the collector. The executor shall also, at such times and in such manner as may be required by regulations made pursuant to law, file with the collector a return under oath in duplicate, setting forth (a) the value of the gross estate of the decedent at the time of his death, or, in case of a nonresident, of that part of his gross estate situated in the United States; (b) the deductions allowed under section 403; (c) the value of the net estate of the decedent as defined in section 403; and (d) the tax paid or payable thereon; or such part of such information as may at the time be ascertainable and such supplemental data as may be necessary to establish the correct tax.

Return shall be made in all cases where the gross estate at the death of the decedent exceeds $50,000, and in the case of the estate of every nonresident any part of whose gross estate is situated in the United States. If the executor is unable to make a complete return as to any part of the gross estate of the decedent, he shall include in his return a description of such part and the name of every person holding a legal or beneficial interest therein, and upon notice from the collector such person shall in like manner make a return as to such part of the gross estate. The commissioner shall make all assessments of the tax under the authority of existing administrative special and general provisions of law relating to the assessment and collection of taxes.

SEC. 405. That if no administration is granted upon the estate of a decedent, or if no return is filed as provided in section 404, or if a return contains a false or incorrect statement of a material fact, the collector or deputy collector shall make a return and the commissioner shall assess the tax thereon.

SEC. 406. That the tax shall be due one year after the decedent's death; but in any case where the commissioner finds that payment of the tax within one year after the decedent's death would impose undue hardship upon the estate, he may grant an extension of time for the payment of the tax for a period not to exceed two years from the due date. If the tax is not paid within 1 year and 180 days after the decedent's death, interest at the rate of 6 per cent per annum from the expiration of one year after the decedent's death shall be added as part of the tax.

SEC. 407. That the executor shall pay the tax to the collector or deputy collector. If the amount of the tax can not be determined, the payment of a sum of money sufficient, in the opinion of the collector, to discharge the tax shall be deemed payment in full of the tax, except as in this section otherwise provided. If the amount so paid exceeds the amount of the tax as finally determined, the commissioner shall refund such excess to the executor. If the amount of the tax as finally determined exceeds the amount so paid, the collector shall notify the executor of the amount of such excess and demand payment thereof. If such excess part of the tax is not paid within 10 days after such notification, interest shall be added thereto at the rate of 10 per cent per annum from the expiration of such 10 days' period until paid, and the amount of such excess shall be a lien upon the entire gross estate, except such part thereof as may have been sold to a bona fide purchaser for a fair consideration in money or money's worth.

The collector shall grant to the person paying the tax duplicate receipts, either of which shall be sufficient evidence of such payment, and shall entitle the executor to be credited and allowed the amount thereof by any court having jurisdiction to audit or settle his accounts.

SEC. 408. That if the tax herein imposed is not paid within 180 days after it is due, the collector shall, unless there is reasonable cause for further delay, proceed to collect the tax under the provisions of general law, or commence appropriate proceedings in any court of the United States, in the name of the United States, to subject the property of the decedent to be sold under the judgment or decree of the court. From the proceeds of such sale the amount of the tax, together with the costs and expenses of every description to be allowed by the court, shall be first paid and the balance shall be deposited according to the order of the court, to be paid under its direction to the person entitled thereto.

If the tax or any part thereof is paid by, or collected out of that part of the estate passing to or in the possession of, any person other than the executor in his capacity as such, such person shall be entitled to reimbursement out of any part of the estate still undistributed or by a just and equitable contribution by the persons whose interest in the estate of the decedent would have been reduced if the tax had been paid before the distribution of the estate or whose interest is subject to equal or prior liability for the payment of taxes, debts, or other charges against the estate, it being the purpose and intent of this title that so far as is practicable and unless otherwise directed by the will of the decedent, the tax shall be paid out of the estate before its distribution. If any part of the gross estate consists of proceeds of policies of insur-

ance upon the life of the decedent receivable by a beneficiary other than the executor, the executor shall be entitled to recover from each beneficiary such portion of the total tax paid as the proceeds, in excess of $40,000, of such policies bear to the net estate. If there is more than one such beneficiary, the executor shall be entitled to recover from such beneficiaries in the same ratio.

SEC. 409. That unless the tax is sooner paid in full, it shall be a lien for 10 years upon the gross estate of the decedent, except that such part of the gross estate as is used for the payment of charges against the estate and expenses of its administration, allowed by any court having jurisdiction thereof, shall be divested of such lien. If the commissioner is satisfied that the tax liability of an estate has been fully discharged, he may, under regulations prescribed by him, with the approval of the Secretary, issue his certificate releasing any or all property of such estate from the lien herein imposed.

If (a) the decedent makes a transfer of, or creates a trust with respect to, any property in contemplation of or intended to take effect in possession or enjoyment at or after his death (except in the case of a bona fide sale for a fair consideration in money or money's worth) or (b) if insurance passes under a contract executed by the decedent in favor of a specific beneficiary, and if in either case the tax in respect thereto is not paid when due, then the transferee, trustee, or beneficiary shall be personally liable for such tax; and such property, to the extent of the decedent's interest therein at the time of such transfer, or to the extent of such beneficiary's interest under such contract of insurance, shall be subject to a like lien equal to the amount of such tax. Any part of such property sold by such transferee or trustee to a bona fide purchaser for a fair consideration in money or money's worth shall be divested of the lien, and a like lien shall then attach to all the property of such transferee or trustee, except any part sold to a bona fide purchaser for a fair consideration in money or money's worth.

SEC. 410. That whoever knowingly makes any false statement in any notice or return required to be filed under this title shall be liable to a penalty of not exceeding $5,000, or imprisonment not exceeding one year, or both.

Whoever fails to comply with any duty imposed upon him by section 404, or, having in his possession or control any record, file, or paper containing or supposed to contain any information concerning the estate of the decedent, or having in his possession or control any property comprised in the gross estate of the decedent, fails to exhibit the same upon request to the commissioner or any collector or law officer of the United States, or his duly authorized deputy or agent, who desires to examine the same in the performance of his duties under this title, shall be liable to a penalty of not exceeding $500, to be recovered, with costs of suit, in a civil action in the name of the United States.

INSURANCE.

SEC. 503. That from and after November 1, 1918, there shall be levied, assessed, collected, and paid, in lieu of the taxes imposed by section 504 of the revenue act of 1917, the following taxes on the issuance of insurance policies, including, in the case of policies issued outside the United States, their delivery within the United States by any agent or broker, whether acting for the insurer or the insured; such taxes to be paid by the insurer or by such agent or broker:

(a) Life insurance: A tax equivalent to 8 cents on each $100 or fractional part thereof of the amount for which any life is insured under any policy of insurance or other instrument, by whatever name the same is called: *Provided*, That on all policies for life insurance only by which a life is insured not in excess of $500, issued on the industrial or weekly or monthly payment plan of insurance, the tax shall be 40 per cent of the amount of the first weekly premium or 20 per cent of the amount of the first monthly premium, as the case may be: *Provided further*, That on policies of group life insurance, covering groups of not less than 25 lives in the employ of the same person, for the benefit of persons other than the employer, the tax shall be equivalent to 4 cents on each $100 of the aggregate amount for which the group policy is issued and of any net increase in the amount of the insurance under such policy;

(b) Marine, inland, and fire insurance: A tax equivalent to 1 cent on each dollar or fractional part thereof of the premium charged under each policy of insurance or other instrument, by whatever name the same is called, whereby insurance is made or renewed upon property of any description (including rents or profits), whether against peril by sea or inland waters, or by fire or lightning, or other peril;

(c) Casualty insurance: A tax equivalent to 1 cent on each dollar or fractional part thereof of the premium charged under each policy of insurance or obligation of the nature of indemnity for loss, damage, or liability (except bonds and policies taxable under subdivision 2 of schedule A of title XI) issued or executed or renewed by any person transacting the business of employer's liability, workmen's compensation, accident, health, tornado, plate glass, steam boiler, elevator, burglary, automatic sprinkler, automobile, or other branch of insurance (except life insurance and insurance described and taxed in the preceding subdivision): *Provided*, That in case of policies of insurance issued on the industrial or weekly or monthly payment plan the tax shall be 40 per cent of the amount of the first weekly premium or 20 per cent of the amount of the first monthly premium, as the case may be;

(d) Policies issued by any corporation enumerated in section 231 and policies of reinsurance shall be exempt from the taxes imposed by this section.

SEC. 504. That every person issuing policies of insurance upon the issuance of which a tax is imposed by section 503 shall make monthly returns under oath, in duplicate, and pay such tax to the collector of the district in which the principal office or place of business of such person is located. Such returns shall contain such information and be made at such times and in such manner as the commissioner, with the approval of the Secretary, may by regulation prescribe.

TITLE VI.—TAX ON BEVERAGES.

SEC. 600. (a) That there shall be levied and collected on all distilled spirits now in bond or that have been or that may be hereafter produced in or imported into the United States, except such distilled spirits as are subject to the tax provided in section 604, in lieu of the internal-revenue taxes now imposed thereon by law, a tax of $2.20 (or, if withdrawn for beverage purposes or for use in the manufacture or production of any article used or intended for use as a beverage, a tax of $6.40) on each proof gallon, or wine gallon when below proof, and a proportionate tax at a like rate on all fractional parts of such proof or wine gallon, to be paid by the distiller or importer when withdrawn, and collected under the provisions of existing law.

(b) That the tax imposed by subdivision (a) on distilled spirits intended for beverage purposes shall not be due or payable on such spirits while stored in any distillery, bonded warehouse, or special or general bonded warehouse, and which, pursuant to any act of Congress or proclamation of the President of the United States, can not be lawfully sold or removed from any such warehouse during the period of prohibition fixed by such act or proclamation; and all warehousing bonds or transportation and warehousing bonds conditioned for the payment of tax on any such spirits so stored on the date such prohibition takes effect shall as to all such spirits actually so stored be canceled and discharged, provided the distiller of such spirits shall in lieu of such bonds and prior to their cancellation execute a bond in a penal sum of not less than $10,000, with sureties satisfactory to the collector of the district, conditioned that the principal shall, during the period of such prohibition, safely keep or cause to be kept in good condition all such spirits and the warehouse in which the same are stored, and shall not remove or suffer to be removed from warehouse, contrary to law, any such spirits during the period of such prohibition; and the bond herein prescribed shall be in such further sum and shall contain such further conditions as the commissioner, with the approval of the Secretary, may by regulations require. The distiller may, subject to the provisions of this section, be permitted to retain in any such bonded warehouse distilled spirits on which, under the terms of any existing bond, the tax imposed thereon becomes due and payable thereto prior to the date such prohibition takes effect: *Provided*, That on the removal of such prohibition the distiller shall, as to all spirits as to which the bonded period fixed by law has not expired and which remain stored in warehouse, execute new and satisfactory bond in the form required by existing law, conditioned for the payment of the tax on all such spirits; and all provisions of existing law relating to such bonded warehouses, or the storage of spirits therein, or to the execution of new or additional bonds, so far as applicable, shall continue in force as to all distilled spirits rebonded under the provisions of this section.

Upon the withdrawal of distilled spirits from bonded warehouse, after the period of prohibition has ended, and under the conditions imposed by section 50 of an act entitled "An act to reduce taxation, to provide revenue for the support of the Government, and for other purposes," approved August 28, 1894, an allowance for loss by leakage or other unavoidable cause, not exceeding 1 proof gallon as to packages of a capacity of not less than 40 wine gallons, may be made in addition to that provided in said section 50, as amended; and a like additional allowance of 1 proof gallon as to each package withdrawn may be made for each period of four months, or fraction thereof, for such spirits as shall have remained in warehouse during the period of prohibition and after the expiration of the maximum leakage period fixed by that section.

Under regulations prescribed by the Secretary, any imported distilled spirits, wines, or other liquors which may be in any customs bonded warehouse under the customs laws on the date such prohibition takes effect shall be permitted to remain therein without payment of any taxes or duties thereon, beyond the three-year period provided in section 2971 of the Revised Statutes, during such period of prohibition; and may be exported at any time during such extended period. Any imported spirits, wines, or other liquors as to which the three-year bonded period may expire after the passage of this act and prior to the date such prohibition takes effect may at the option of the owner remain in bond during such period of prohibition.

(c) In lieu of the internal-revenue tax now imposed thereon by law there shall be levied and collected upon all perfumes hereafter imported into the United States containing distilled spirits a tax of $1.10 per wine gallon, and a proportionate tax at a like rate on all fractional parts of such wine gallon. Such tax shall be collected by the collector of customs and deposited as internal-revenue collections, under such rules and regulations as the commissioner, with the approval of the Secretary, may prescribe.

SEC. 601. That no distilled spirits produced after October 3, 1917, shall be imported into the United States from any foreign country, or from the Virgin Islands (unless produced from products the growth of such islands, and not then into any State or Territory or District of the United States in which the manufacture or sale of intoxicating liquor is prohibited), or from Porto Rico, or the Philippine Islands. Under such rules, regulations, and bonds as the Secretary may prescribe, the provisions of this section shall not apply to distilled spirits imported for other than (1) beverage purposes or (2) use in the manufacture or production of any article used or intended for use as a beverage.

SEC. 602. That at registered distilleries producing alcohol, or other high-proof spirits, packages may be filled with such spirits reduced to not less than one hundred proof from the receiving cisterns and tax paid without being entered into bonded warehouse. Such spirits may be also transferred from the receiving cisterns at such distilleries, by means of pipe lines, direct to storage tanks in the bonded warehouse and may be warehoused in such storage tanks. Such spirits may be also transferred in tanks or tank cars to general bonded warehouses for storage therein, either in storage tanks in such warehouses or in the tanks in which they were transferred. Such spirits may also be transferred from receiving cisterns or warehouse storage tanks to barrels, drums, tanks, tank cars, or other approved containers, and may be transported in such containers for exportation or other lawful purposes. The Commissioner, with the approval of the Secretary, is hereby empowered to prescribe all necessary regulations relating to the drawing off, transferring, gauging, storing, and transporting of such spirits; the records to be kept and returns to be made; the size and kind of packages and tanks to be used; the marking, branding, numbering, and stamping of such packages and tanks; the kinds of stamps, if any, to be used; and the time and manner of paying the tax; the kind of bond and the penal sum of same. The tax prescribed by law must be paid before such spirits are removed from the distillery premises or from general bonded warehouse in the case of spirits transferred thereto, except as otherwise provided by law.

Under such regulations as the Commissioner, with the approval of the Secretary, may prescribe, distilled spirits may hereafter be drawn from receiving cisterns and deposited in distillery warehouses without having affixed to the packages containing the same, distillery warehouse stamps, and such packages, when so deposited in warehouse, may be withdrawn therefrom on the original gauge where the same have remained in such warehouse for a period of not exceeding 30 days from the date of deposit.

Under such regulations as the Commissioner, with the approval of the Secretary, may prescribe, the manufacture, warehousing, withdrawal, and shipment, under the provisions of existing law, of ethyl alcohol for other than (1) beverage purposes or (2) use in the manufacture or production of any article used or intended for use as a beverage, and denatured alcohol may be exempted from the provisions of section 3283 of the Revised Statutes.

The Commissioner, with the approval of the Secretary, may by regulations exempt distillers of ethyl alcohol for use in the production of munitions of war or for other nonbeverage purposes from so much of the provisions of sections 3264, 3285, or 3309 of the Revised Statutes, and acts amendatory thereof, respecting the survey of distilleries, the period of the filling and emptying of fermenting tubs, and assessments, as, in his judgment, may be expedient: *Provided*, That the bond prescribed in section 3260 of the Revised Statutes shall, in the cases herein provided, be in such sum and contain such further conditions as the Commissioner may require.

SEC. 603. That under such regulations as the Commissioner, with the approval of the Secretary, may prescribe, ethyl alcohol of not less than 180 degrees proof, produced at any central distilling and denaturing plant established under the provisions of subsection 2, paragraph N, of Section IV of the act entitled "An act to reduce tariff duties and to provide revenue for the Government, and for other purposes," approved October 3, 1913, may be removed from such plant to any central denaturing bonded warehouse for denaturation, or may, before or after denaturation, be removed from such plant or from such denaturing bonded warehouse, free of tax, for use of the United States or for shipment to any nation while engaged against the German Government in the present war, and the removal herein authorized may be made in such tank vessels, tank cars, drums, casks, or other containers as may be approved by the Commissioner. It shall be lawful under the regulations prescribed by the Commissioner, with the approval of the Secretary, for an allowance to be made for leakage or loss by unavoidable accident and without fault or negligence of the distiller, owner, carrier, or his agents or employees, which may occur during the transportation of such spirits or while the same are lawfully stored on either of the premises herein prescribed.

SEC. 604. That upon all distilled spirits produced in or imported into the United States upon which the internal-revenue tax now imposed by law has been paid, and which, on the day after the passage of this act, are held by any person and intended for sale or for use in the manufacture or production of any article intended for sale, there shall be levied, assessed, collected, and paid a floor tax equal to the difference between the tax imposed by this act and the tax so paid.

SEC. 605. That in addition to the tax imposed by this act on distilled spirits and wines there shall be levied, assessed, collected, and paid, in lieu of the tax imposed by section 304 of the revenue act of 1917, a tax of 30 cents on each proof gallon and a proportionate tax at a like rate on all fractional parts of such proof gallon on all distilled spirits or wines hereafter rectified, purified, or refined in such manner, and on all mixtures hereafter produced in such manner, that the person so rectifying, purifying, refining, or mixing the same is a rectifier within the meaning of section 3244 of the Revised Statutes, as amended: *Provided*, That this tax shall not apply to gin produced by the redistillation of a pure spirit over juniper berries and other aromatics.

Upon all such articles heretofore produced, and which on the day after the passage of this act are held by any person and intended for sale, there shall be levied, assessed, collected, and paid a floor tax of 15 cents on each proof gallon, and a proportionate tax at a like rate on all fractional parts of each proof gallon; and all such distilled spirits so held and not contained in the distillers' original stamped packages, or in bottles or other containers bearing the distillers' original labels, shall for the purpose of this section be regarded as rectified spirits.

When the process of rectification is completed and the taxes prescribed by this section have been paid, it shall be unlawful for the rectifier or other dealer to reduce in proof or increase in volume such spirits or wine by the addition of water or other substance; nothing herein contained shall, however, prevent a rectifier from using again in the process of rectification spirits already rectified and upon which the taxes have theretofore been paid.

The taxes imposed by this section shall not attach to cordials or liqueurs on which a tax is imposed and paid under section 611 or 613, nor to the mixing and blending of wines, where such blending is for the sole purpose of perfecting such wines according to commercial standards, nor to blends made exclusively of two or more pure straight whiskies aged in wood for a period not less than four years and without the addition of coloring or flavoring matter or any other substance than pure water and if not reduced below 90 proof: *Provided*, That such blended whiskies shall be exempt from tax under this section only when compounded under the immediate supervision of a revenue officer, in such tanks and under such conditions and supervision as the commissioner, with the approval of the Secretary, may prescribe.

All distilled spirits or wines taxable under this section shall be subject to uniform regulations concerning the use thereof in the manufacture, blending, compounding, mixing, marking, branding, and sale of whisky and rectified spirits, and no discrimination whatsoever shall be made by reason of a difference in the character of the material from which same may have been produced.

The business of a rectifier of spirits shall be carried on and the tax on rectified spirits shall be paid, under such rules, regulations, and bonds as may be prescribed by the commissioner, with the approval of the Secretary.

Whoever violates any of the provisions of this section shall be deemed to be guilty of a misdemeanor and, upon conviction, shall be fined not more than $1,000 or imprisoned not more than two years, and shall, in addition, be liable to double the tax evaded, together with the tax, to be collected by assessment or on any bond given.

SEC. 606. That hereafter collectors shall not furnish wholesale liquor dealer's stamps in lieu of and in exchange for stamps for rectified spirits unless the package covered by stamp for rectified spirits is to be broken into smaller packages.

The commissioner, with the approval of the Secretary, is authorized to discontinue the use of the following stamps whenever in his judgment the interests of the Government will be subserved thereby:

Distillery warehouse, special bonded warehouse, special bonded rewarehouse, general bonded warehouse, general bonded retransfer, transfer brandy, export tobacco, export cigars, export oleomargarine, and export fermented-liquor stamps.

SEC. 607. That the commissioner, with the approval of the Secretary, is hereby authorized to require at distilleries, breweries, rectifying houses, and wherever else in his judgment such action may be deemed advisable, the installation of meters, tanks, pipes, or any other apparatus for the purpose of protecting the revenue, and such meters, tanks, and pipes and all necessary labor incident thereto shall be at the expense of the person on whose premises the installation is required. Any such person refusing or neglecting to install such apparatus when so required by the commissioner shall not be permitted to conduct business on such premises.

SEC. 608. That there shall be levied and collected on all beer, lager beer, ale, porter, and other similar fermented liquor, containing one-half of 1 per cent, or more, of alcohol, brewed or manufactured and hereafter sold, or removed for consumption or sale, within the United States, by whatever name such liquors may be called, in lieu of the internal-revenue taxes now imposed thereon by law, a tax of $6 for every barrel containing not more than 31 gallons, and at a like rate for any other quantity or for the fractional parts of a barrel authorized and defined by law, to be collected under the provisions of existing law.

SEC. 609. That from and after the passage of this act taxable fermented liquors may be conveyed without payment of tax from the brewery premises where produced to a contiguous industrial distillery of either class established under the act entitled "An act to reduce tariff duties and to provide revenue for the Government, and for other purposes," approved October 3, 1913, to be used as distilling material, and the residue from such distillation, containing less than one-half of 1 per cent of alcohol by volume, which is to be used in making beverages, may be manipulated by cooling, flavoring, carbonating, settling, and filtering on the distillery premises or elsewhere.

The removal of the taxable fermented liquor from the brewery to the distillery and the operation of the distillery and removal of the residue therefrom shall be under the supervision of such officer or officers as the Commissioner shall deem proper, and the Commissioner, with the approval of the Secretary, is hereby authorized to make such regulations from time to time as may be necessary to give force and effect to this section and to safeguard the revenue.

SEC. 610. That natural wine within the meaning of this act shall be deemed to be the product made from the normal alcoholic fermentation of the juice of sound, ripe grapes, without addition or abstraction, except such as may occur in the usual cellar treatment of clarifying and aging: *Provided, however*, That the product made from the juice of sound, ripe grapes by complete fermentation of the must under proper cellar treatment and corrected by the addition (under the supervision of a gauger or storekeeper-gauger in the capacity of gauger) of a solution of water and pure cane, beet, or dextrose sugar (containing, respectively, not less than 95 per cent of actual sugar, calculated on a dry basis) to the must or to the wine, to correct natural deficiencies, when such addition shall not increase the volume of the resultant product more than 35 per cent, and the resultant product does not contain less than five parts per thousand of acid before fermentation and not more than 13 per cent of alcohol after complete fermentation, shall be deemed to be wine within the meaning of this act, and may be labeled, transported, and sold as "wine," qualified by the name of the locality where produced, and may be further qualified by the name of its own particular type or variety: *And provided further*, That wine as defined in this section may be sweetened with cane sugar or beet sugar or pure condensed grape must and fortified under the provisions of this act, and wines so sweetened or fortified shall be considered sweet wine within the meaning of this act.

SEC. 611. That upon all still wines, including vermuth and all artificial or imitation wines or compounds sold as still wine, which are hereafter produced in or imported into the United States, or which on the day after the passage of this act are on any winery premises or other bonded premises or in transit thereto or at any customhouse, there shall be levied, collected, and paid, in lieu of the internal-revenue taxes now imposed thereon by law, taxes at rates as follows, when sold, or removed for consumption or sale:

On wines containing not more than 14 per cent of absolute alcohol, 16 cents per wine gallon, the per cent of alcohol taxable under this section to be reckoned by volume and not by weight.

On wines containing more than 14 per cent and not exceeding 21 per cent of absolute alcohol, 40 cents per wine gallon.

On wines containing more than 21 per cent and not exceeding 24 per cent of absolute alcohol, $1 per wine gallon.

All such wines containing more than 24 per cent of absolute alcohol by volume shall be classed as distilled spirits and shall pay tax accordingly.

SEC. 612. That under such regulations and official supervision and upon the giving of such notices, entries, bonds, and other security as the Commissioner, with the approval of the Secretary, may prescribe, any producer of wines defined under the provisions of this title may withdraw from any fruit distillery or special bonded warehouse grape brandy or wine spirits for the fortification of such wines on the premises where actually made: *Provided*, That there shall be levied and assessed against the producer of such wines a tax (in lieu of the internal-revenue tax now imposed thereon by law) of 60 cents per proof gallon of grape brandy or wine spirits whenever withdrawn and hereafter so used by him in the fortification of such wines during the preceding month, which assessment shall be paid by him within 10 months from the date of notice thereof: *Provided further*, That nothing contained in this section shall be construed as exempting any wines, cordials, liqueurs, or similar compounds from the payment of any tax provided for in this title.

SEC. 613. That upon the following articles which are hereafter produced in or imported into the United States, or which on the day after the passage of this act are on any winery premises or other bonded premises or in transit thereto or at any customhouse, there shall be levied, collected, and paid taxes at rates as follows, when sold, or removed for consumption or sale:

On each bottle or other container of champagne or sparkling wine, 12 cents on each one-half pint or fraction thereof.

On each bottle or other container of artificially carbonated wine, 6 cents on each one-half pint or fraction thereof.

On each bottle or other container of liqueurs, cordials, or similar compounds, by whatever name sold or offered for sale, containing sweet wine fortified with grape brandy, 6 cents on each one-half pint or fraction thereof.

The tax imposed by this section shall, in the case of any article upon which a corresponding internal-revenue tax is now imposed by law, be in lieu of such tax.

SEC. 614. That upon all articles specified in section 611 or 613 upon which the internal-revenue tax now imposed by law has been paid and which are on the day after the passage of this act held by any person and intended for sale, there shall be levied, collected, and paid a floor tax equal to the difference between the tax imposed by this act and the tax so paid.

SEC. 615. That upon all sweet wines held for sale by the producer thereof upon the day after the passage of this act there shall be levied, assessed, collected, and paid a floor tax equivalent to 30 cents per proof gallon upon the grape brandy or wine spirits used in the fortification of such wine.

SEC. 616. That the taxes imposed by section 611 or 613 shall be paid by stamp on removal of the wines from the customhouse, winery, or other bonded place of storage for consumption or sale, and every person hereafter producing, or having in his possession or under his control when this title takes effect, any wines subject to the tax imposed in

section 611 or 613 shall file such notice, describing the premises on which such wines are produced or stored; shall execute a bond in such form; shall make such inventories under oath; and shall, prior to sale or removal for consumption, affix to each cask or vessel containing such wine such marks, labels, or stamps as the Commissioner, with the approval of the Secretary, may from time to time prescribe; and the premises described in such notice shall, for the purpose of this act, be regarded as bonded premises. But the provisions of this section, except as to payment of tax and the affixing of the required stamps or labels, shall not apply to wines held by retail dealers, as defined in section 3244 of the Revised Statutes, nor, subject to regulations prescribed by the Commissioner, with the approval of the Secretary, shall the tax imposed by section 611 apply to wines produced for the family use of the duly registered producer thereof and not sold or otherwise removed from the place of manufacture and not exceeding in any case 200 gallons per year.

SEC. 617. That sections 42, 43, and 45 of the act entitled "An act to reduce the revenue and equalize duties on imports, and for other purposes," approved October 1, 1890, as amended by section 68 of the act entitled "An act to reduce taxation, to provide revenue for the Government, and for other purposes," approved August 27, 1894, are further amended to read as follows:

"SEC. 42. That any producer of pure sweet wines may use in the preparation of such sweet wines, under such regulations and after the filing of such notices and bonds, together with the keeping of such records and the rendition of such reports as to materials and products as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may prescribe, wine spirits produced by any duly authorized distiller, and the Commissioner of Internal Revenue, in determining the liability of any distiller of wine spirits to assessment under section 3309 of the Revised Statutes, is authorized to allow such distiller credit in his computations for the wine spirits withdrawn to be used in fortifying sweet wines under this act.

"SEC. 43. That the wine spirits mentioned in section 42 is the product resulting from the distillation of fermented grape juice, to which water may have been added prior to, during, or after fermentation, for the sole purpose of facilitating the fermentation and economical distillation thereof, and shall be held to include the product from grapes or their residues commonly known as grape brandy, and shall include commercial grape brandy which may have been colored with burnt sugar or caramel; and the pure sweet wine which may be fortified with wine spirits under the provisions of this act is fermented or partially fermented grape juice only, with the usual cellar treatment, and shall contain no other substance whatever introduced before, at the time of, or after fermentation, except as herein expressly provided: *Provided*, That the addition of pure boiled or condensed grape must or pure crystallized cane or beet sugar, or pure dextrose sugar containing, respectively, not less than 95 per cent of actual sugar, calculated on a dry basis, or water, or any or all of them, to the pure grape juice before fermentation, or to the fermented product of such grape juice, or to both, prior to the fortification herein provided for, either for the purpose of perfecting sweet wines according to commercial standards or for mechanical purposes, shall not be excluded by the definition of pure sweet wine aforesaid: *Provided, however*, That the cane or beet sugar, or pure dextrose sugar, added for sweetening purposes shall not be in excess of 11 per cent of the weight of the wine to be fortified: *And provided further*, That the addition of water herein authorized shall be under such regulations as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may from time to time prescribe: *Provided, however*, That records kept in accordance with such regulations as to the percentage of saccharine, acid, alcoholic, and added water content of the wine offered for fortification shall be open to inspection by any official of the Department of Agriculture thereto duly authorized by the Secretary of Agriculture; but in no case shall such wines to which water has been added be eligible for fortification under the provisions of this act, where the same, after fermentation and before fortification, have an alcoholic strength of less than 5 per cent of their volume.

"SEC. 45. That under such regulations and official supervision, and upon the execution of such entries and the giving of such bonds, bills of lading, and other security as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall prescribe, any producer of pure sweet wines as defined by this act may withdraw wine spirits from any special bonded warehouse in original packages or from any registered distillery in any quantity not less than 80 wine gallons, and may use so much of the same as may be required by him under such regulations, and after the filing of such notices and bonds and the keeping of such records and the rendition of such reports as to materials and products and the disposition of the same as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall prescribe, in fortifying the pure sweet wines made by him, and for no other purpose, in accordance with the foregoing limitations and provisions; and the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, is authorized whenever he shall deem it to be necessary for the prevention of violations of this law to prescribe that wine spirits withdrawn under this section shall not be used to fortify wines except at a certain distance prescribed by him from any distillery, rectifying house, winery, or other establishment used for producing or storing distilled spirits, or for making or storing wines other than wines which are so fortified, and that in the building in which such fortification of wines is practiced no wines or spirits other than those permitted by this regulation shall be stored in any room or part of the building in which fortification of wines is practiced. The use of wine spirits for the fortification of sweet wines under this act shall be under the immediate supervision of an officer of internal revenue, who shall make returns describing the kinds and quantities of wine so fortified, and shall affix such stamps and seals to the packages containing such wines as may be prescribed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury; and the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall provide by regulations the time within which wines so fortified with the wine spirits so withdrawn may be subject to inspection, and for final accounting for the use of such wine spirits and for rewarehousing or for payment of the tax on any portion of such wine spirits which remain not used in fortifying pure sweet wines."

SEC. 618. (a) That under such regulations and upon the execution of such notices, entries, bonds, and other security as the commissioner, with the approval of the Secretary, may prescribe, domestic wines subject to the tax imposed by section 611 may be removed from the winery where produced, free of tax, for storage on other bonded premises or from such premises to other bonded premises (but not more than one such additional removal shall be allowed), or for exportation from the United States or for use as distilling material at any regularly registered distillery: *Provided, however*, That the distiller using any such wine as material shall, subject to the provisions of section 3309 of the Revised Statutes as amended, be held to pay the tax on the product of such wines as will include both the alcoholic strength therein produced by fermentation and that obtained from the brandy or wine spirits added to such wines at the time of fortification.

(b) Under regulations prescribed by the commissioner, with the approval of the Secretary, it shall be lawful to produce grape wines on bonded winery premises by the usual method of fermentation, and to transport and use the same, and like wines heretofore produced and now stored on bonded winery premises, as distilling material for the production of nonbeverage spirits in the production of nonalcoholic wines containing less than one-half of 1 per cent of alcohol by volume in any fruit brandy or industrial distillery: *Provided*, That all alcoholic spirits so obtained at any industrial distillery shall be denatured, and all spirits so obtained at any fruit distillery shall be removed and used only for nonbeverage purposes or for denaturation.

SEC. 619. That the collection of the tax on imported still wines, including vermuth, and sparkling wines, including champagne, and on imported liqueurs, cordials, and similar compounds, may be made within the discretion of the commissioner, with the approval of the Secretary, by assessment instead of by stamps.

SEC. 620. That whoever evades or attempts to evade any tax imposed by sections 611 to 615, both inclusive, or any requirement of sections 610 to 621, both inclusive, or regulation issued pursuant thereto, or whoever, otherwise than as provided in such sections, recovers or attempts to recover any spirits from domestic or imported wine, or whoever rectifies, mixes, or compounds with distilled spirits any domestic wines other than in the manufacture of liqueurs, cordials, or similar compounds, shall, on conviction, be punished for each such offense by a fine of not exceeding $5,000, or imprisonment for not more than five years, or both, and in addition thereto by a penalty of double the tax evaded, or attempted to be evaded, to be assessed and collected in the same manner as taxes are assessed and collected, and all wines, spirits, liqueurs, cordials, or similar compounds as to which such violation occurs shall be forfeited to the United States. But the provisions of this section and the provisions of section 3244 of the Revised Statutes as amended relating to rectification, or other internal-revenue laws of the United States, shall not be held to apply to or prohibit the mixing or blending of wines subject to tax under the provisions of sections 611 to 615, both inclusive, with each other or with other wines for the sole purpose of perfecting such wines according to commercial standards: *Provided*, That nothing herein contained shall be construed as prohibiting the use of tax-paid grain or other ethyl alcohol in the fortification of sweet wines as defined in section 610 of this act and section 43 of the act entitled "An act to reduce the revenue and equalize duties on imports, and for other purposes," approved October 1, 1890, as amended by this act.

SEC. 621. That the commissioner, by regulations to be approved by the Secretary, may require the use of each fruit distillery of such spirit meters, and such locks and seals to be affixed to fermenters, tanks, or other vessels and to such pipe connections as may in his judgment be necessary or expedient, and is hereby authorized to assign to any such distillery and to each winery where wines are to be fortified such number of gaugers or storekeeper-gaugers in the capacity of gaugers as may be necessary for the proper supervision of the manufacture of brandy or the making or fortifying of wines subject to tax imposed by this section; and the compensation of such officers shall not exceed $5 per diem while so assigned, together with their actual and necessary traveling expenses, and also a reasonable allowance for their board bills, to be fixed by the commissioner, with the approval of the Secretary, but not to exceed $2.50 per diem for such board bills.

SEC. 622. That the commissioner, with the approval of the Secretary, is hereby authorized to make such allowances for unavoidable loss of wines while on storage or during cellar treatment as in his judgment may be just and proper.

SEC. 623. That the second paragraph of section 3264 of the Revised Statutes, as amended by section 5 of the act of March 1, 1879, and as further amended by the act of June 22, 1910, be amended so as to read as follows:

"In all surveys 45 gallons of mash or beer brewed or fermented from grain shall represent not less than 1 bushel of grain, and 7 gallons of mash or beer brewed or fermented from molasses shall represent not less than 1 gallon of molasses, except in distilleries operated on the sour-mash principle, in which distilleries 60 gallons of beer brewed or fermented from grain shall represent not less than 1 bushel of grain, and except that in distilleries where the filtration-aeration process is used, with the approval of the Commissioner of Internal Revenue; that is, where the mash after it leaves the mash tub is passed through a filtering machine before it is run into the fermenting tub, and only the filtered liquor passes into the fermenting tub, there shall hereafter be no limitattion upon the number of gallons of water which may be used in the process of mashing or filtration for fermentation; but the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, in order to protect the revenue, shall be authorized to prescribe by regulation, to be made by him, such character of survey as he may find suitable for distilleries using such filtration-aeration process. The provisions hereof relating to filtration-aeration process shall apply only to sweet-mash distilleries."

SEC. 624. That under such regulations as the commissioner, with the approval of the Secretary, may prescribe, alcohol or other distilled spirits of a proof strength of not less than 180 degrees intended for export free of tax may be drawn from receiving cisterns at any distillery, or from storage tanks in any distillery warehouse, for transfer to tanks or tank cars for export from the United States, and all provisions of existing law relating to the exportation of distilled spirits not inconsistent herewith shall apply to spirits removed for export under the provisions of this act.

SEC. 625. That section 3255 of the Revised Statutes as amended by the act of June 3, 1896, and as further amended by the act of March 2, 1911, be further amended so as to read as follows:

"SEC. 3255. The Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may exempt distillers of brandy made exclusively from apples, peaches, grapes, pears, pineapples, oranges, apricots, berries, plums, pawpaws, persimmons, prunes, figs, or cherries from any provision of this title relating to the manufacture of spirits, except as to the tax thereon, when in his judgment it may seem expedient to do so: *Provided*, That where, in the manufacture of wine, artificial sweetening has been used the wine or the fruit pomace residium may be used in the distillation of brandy, and such use shall not prevent the Commissioner of Internal Revenue, with the approval

of the Secretary of the Treasury, from exempting such distiller from any provision of this title relating to the manufacture of spirits, except as to the tax thereon, when in his judgment it may seem expedient to do so: *And provided further*, That the distillers mentioned in this section may add to not less than 500 gallons (or 10 barrels) of grape cheese not more than 500 gallons of a sugar solution made from cane, beet, starch, or corn sugar, 95 per cent pure, such solution to have a saccharine strength of not to exceed 10 per cent, and may ferment the resultant mixture on a winery or distillery premises, and such fermented product shall be regarded as distilling material."

SEC. 626. That distilled spirits known commercially as gin of not less than 80 per cent proof may at any time within eight years after entry in bond at any distillery be bottled in bond at such distillery for export without the payment of tax, under such rules and regulations as the commissioner, with the approval of the Secretary, may prescribe.

SEC. 627. That section 3354 of the Revised Statutes as amended by the act approved June 18, 1890, be, and is hereby, amended to read as follows:

"SEC. 3354. Every person who withdraws any fermented liquor from any hogshead, barrel, keg, or other vessel upon which the proper stamp has not been affixed for the purpose of bottling the same, or who carries on or attempts to carry on the business of bottling fermented liquor in any brewery or other place in which fermented liquor is made or upon any premises having communication with such brewery, or any warehouse, shall be liable to a fine of $500, and the property used in such bottling or business shall be liable to forfeiture: *Provided, however*, That this section shall not be construed to prevent the withdrawal and transfer of unfermented, partially fermented, or fermented liquors from any of the vats in any brewery by way of a pipe line or other conduit to another building or place for the sole purpose of bottling the same, such pipe line or conduit to be constructed and operated in such manner and with such cisterns, vats, tanks, valves, cocks, faucets, and gauges, or other utensils or apparatus, either on the premises of the brewery or the bottling house, and with such changes of or additions thereto, and such locks, seals, or other fastenings, and under such rules and regulations as shall be from time to time prescribed by the Commissioner of Internal Revenue, subject to the approval of the Secretary of the Treasury, and all locks and seals prescribed shall be provided by the Commissioner of Internal Revenue at the expense of the United States: *Provided further*, That the tax imposed in section 3339 of the Revised Statutes shall be paid on all fermented liquor removed from a brewery to a bottling house by means of a pipe or conduit, at the time of such removal, by the cancellation and defacement, by the collector of the district or his deputy, in the presence of the brewer, of the number of stamps denoting the tax on the fermented liquor thus removed. The stamps thus canceled and defaced shall be disposed of and accounted for in the manner directed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury. And any violation of the rules and regulations hereafter prescribed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, in pursuance of these provisions shall be subject to the penalties above provided by this section. Every owner, agent, or superintendent of any brewery or bottling house who removes, or connives at the removal of, any fermented liquor through a pipe line or conduit without payment of the tax thereon, or who attempts in any manner to defraud the revenue as above, shall forfeit all the liquors made by and for him, and all the vessels, utensils, and apparatus used in making the same."

SEC. 628. That there shall be levied, assessed, collected, and paid in lieu of the taxes imposed by sections 313 and 315 of the revenue act of 1917—

(a) Upon all beverages derived wholly or in part from cereals or substitutes therefor and containing less than one-half of 1 per cent of alcohol, sold by the manufacturer, producer, or importer, in bottles or other closed containers, a tax equivalent to 15 per cent of the price for which so sold; and upon all ginger ale, root beer, sarsaparilla, pop, artificial mineral waters (carbonated or not carbonated), other carbonated waters or beverages, and other soft drinks (except fruit or berry juice), sold by the manufacturer, producer, or importer, in bottles or other closed containers, a tax equivalent to 10 per cent of the price for which so sold; and

(b) Upon all natural mineral waters or table waters sold by the producer, bottler, or importer thereof, in bottles or other closed containers, a tax equivalent to 5 per cent of the price for which so sold.

SEC. 629. That each manufacturer, producer, bottler, or importer of any of the articles enumerated in section 628 shall make monthly returns under oath in duplicate and pay the taxes imposed in respect to such articles by such section to the collector for the district in which is located the principal place of business, containing such information necessary for the assessment of the tax, and at such times and in such manner as the commissioner, with the approval of the Secretary, may by regulation prescribe.

The tax shall, without assessment by the commissioner or notice from the collector, be due and payable to the collector at the time so fixed for filing the return. If the tax is not paid when due there shall be added as part of the tax a penalty of 5 per cent, together with interest at the rate of 1 per cent for each full month, from the time when the tax became due.

SEC. 630. That on and after ————, ——, there shall be levied, assessed, collected, and paid a tax of 1 cent for each 10 cents or fraction thereof of the amount paid to any person conducting a soda fountain, ice-cream parlor, or other similar place of business, for drinks commonly known as soft drinks, compounded or mixed at such place of business, or for ice cream, ice-cream sodas, sundaes, or other similar articles of food or drink, when any of the above are sold on or after such date for consumption in or in proximity to such place of business. Such tax shall be paid by the purchaser to the vendor at the time of the sale and shall be collected, returned, and paid to the United States by such vendor in the same manner as provided in section 502.

TITLE VII.—TAX ON CIGARS, TOBACCO, AND MANUFACTURES THEREOF.

SEC. 700. (a) That upon cigars and cigarettes manufactured in or imported into the United States, and hereafter sold by the manufacturer or importer, or removed for consumption or sale, there shall be levied, collected, and paid under the provisions of existing law, in lieu of the internal-revenue taxes now imposed thereon by law, the following taxes, to be paid by the manufacturer or importer thereof:

On cigars of all descriptions made of tobacco, or any substitute therefor, and weighing not more than 3 pounds per thousand, $1.50 per thousand;

On cigars made of tobacco, or any substitute therefor, and weighing more than 3 pounds per thousand, if manufactured or imported to retail at not more than 5 cents each, $4 per thousand;

If manufactured or imported to retail at more than 5 cents each and not more than 8 cents each, $5.40 per thousand;

If manufactured or imported to retail at more than 8 cents each and not more than 15 cents each, $9 per thousand;

If manufactured or imported to retail at more than 15 cents each and not more than 20 cents each, $12 per thousand;

If manufactured or imported to retail at more than 20 cents each, $15 per thousand;

On cigarettes made of tobacco, or any substitute therefor, and weighing not more than 3 pounds per thousand, $2.90 per thousand;

Weighing more than 3 pounds per thousand, $7.20 per thousand.

(b) Whenever in this section reference is made to cigars manufactured or imported to retail at not over a certain price each, then in determining the tax to be paid regard shall be had to the ordinary retail price of a single cigar.

(c) The commissioner may, by regulation, require the manufacturer or importer to affix to each box, package, or container a conspicuous label indicating the clause of this section under which the cigars therein contained have been tax-paid, which must correspond with the tax-paid stamp on such box or container.

(d) Every manufacturer of cigarettes (including small cigars weighing not more than 3 pounds per thousand) shall put up all the cigarettes and such small cigars that he manufactures or has manufactured for him, and sells or removes for consumption or sale, in packages or parcels containing 5, 8, 10, 12, 15, 16, 20, 24, 40, 50, 80, or 100 cigarettes each, and shall securely affix to each of such packages or parcels a suitable stamp denoting the tax thereon and shall properly cancel the same prior to such sale or removal for consumption or sale under such regulations as the commissioner, with the approval of the Secretary, shall prescribe; and all cigarettes imported from a foreign country shall be packed, stamped, and the stamps canceled in a like manner, in addition to the import stamp indicating inspection of the customhouse before they are withdrawn therefrom.

SEC. 701. (a) That upon all tobacco and snuff manufactured in or imported into the United States, and hereafter sold by the manufacturer or importer, or removed for consumption or sale, there shall be levied, collected, and paid, in lieu of the internal-revenue taxes now imposed thereon by law, a tax of 18 cents per pound, to be paid by the manufacturer or importer thereof.

(b) Section 3362 of the Revised Statutes, as amended, is hereby amended to read as follows:

"SEC. 3362. All manufactured tobacco shall be put up and prepared by the manufacturer for sale, or removal for sale or consumption, in packages of the following description and in no other manner:

"All smoking tobacco, snuff, fine-cut chewing tobacco, all cut and graulated tobacco, all shorts, the refuse of fine-cut chewing, which has passed through a riddle of 36 meshes to the square inch, and all refuse scraps, clippings, cuttings, and sweepings of tobacco, and all other kinds of tobacco not otherwise provided for, in packages containing one-eighth of an ounce, three-eighths of an ounce, and further packages with a difference between each package and the one next smaller of one-eighth of an ounce up to and including 2 ounces, and further packages with a difference between each package and the one next smaller of one-fourth of an ounce up to and including 4 ounces, and packages of 5 ounces, 6 ounces, 7 ounces, 8 ounces, 10 ounces, 12 ounces, 14 ounces, and 16 ounces: *Provided*, That snuff may, at the option of the manufacturer, be put up in bladders and in jars containing not exceeding 20 pounds.

"All cavendish, plug, and twist tobacco, in wooden packages not exceeding 200 pounds net weight.

"And every such wooden package shall have printed or marked thereon the manufacturer's name and place of manufacture, the registered number of the manufactory, and the gross weight, the tare, and the net weight of the tobacco in each package: *Provided*, That these limitations and descriptions of packages shall not apply to tobacco and snuff transported in bond for exportation and actually exported: *And provided further*, That perique tobacco, snuff flour, fine-cut shorts, the refuse of fine-cut chewing tobacco, refuse scraps, clippings, cuttings, and sweepings of tobacco, may be sold in bulk as material, and without the payment of tax, by one manufacturer directly to another manufacturer, or for export, under such restrictions, rules, and regulations as the Commissioner of Internal Revenue may prescribe: *And provided further*, That wood, metal, paper, or other materials may be used separately or in combination for packing tobacco, snuff, and cigars, under such regulations as the Commissioner of Internal Revenue may establish."

SEC. 702. That upon all the articles enumerated in section 700 or 701, which were manufactured or imported, and removed from factory or customhouse on or prior to the date of the passage of this act, and upon which the tax imposed by existing law has been paid, and which are, on the day after the passage of this act, held by any person and intended for sale, there shall be levied, assessed, collected, and paid a floor tax equal to the difference between (a) the tax imposed by this act upon such articles according to the class in which they are placed by this title, and (b) the tax imposed upon such articles by existing law other than section 403 of the revenue act of 1917.

In the case of any person making due return as required by the commissioner of the stock of all such articles on such date so held by him, the tax imposed by this section shall apply only to the excess of manufactured tobacco and snuff over 50 pounds, to the excess of cigars over 1,000, and to the excess of cigarettes over 3,000.

SEC. 703. That there shall be levied, collected, and paid, in lieu of the taxes imposed by section 404 of the revenue act of 1917, upon cigarette paper made up into packages, books, sets, or tubes, made up in or imported into the United States and hereafter sold by the manufacturer or importer to any person (other than to a manufacturer of cigarettes for use by him in the manufacture of cigarettes) the following taxes, to be paid by the manufacturer or importer: On each package, book, or set, containing more than 25 but not more than 50 papers, one-half cent; containing more than 50 but not more than 100 papers, 1 cent; containing more than 100 papers, one-half cent for each 50 papers or fractional part thereof; and upon tubes, 1 cent for each 50 tubes or fractional part thereof.

Every manufacturer of cigarettes purchasing any cigarette paper made up into tubes (a) shall give bond in an amount and with sureties satisfactory to the commissioner that he will use such tubes in the manufacture of cigarettes or pay thereon a tax equivalent to the tax imposed by this section, and (b) shall keep such records and render under oath such returns as the commissioner finds necessary to show

the disposition of all tubes purchased or imported by such manufacturer of cigarettes.

SEC. 704. That section 35 of the act of August 5, 1909, be, and is hereby, repealed, to take effect April 1, 1919.

That section 3360 of the Revised Statutes be, and is hereby, amended to read as follows:

"SEC. 3360. (a) Every dealer in leaf tobacco shall file with the collector of the district in which his business is carried on, a statement in duplicate, subscribed under oath, setting forth the place, and if in a city, the street and number of the street, where his business is to be carried on, and the exact location of each place where leaf tobacco is held by him on storage, and, whenever he adds to or discontinues any of his leaf tobacco storage places, he shall give immediate notice to the collector of the district in which he is registered.

"Every such dealer shall give a bond with surety, satisfactory to, and to be approved by, the collector of the district, in such penal sum as the collector may require, not less than $500; and a new bond may be required in the discretion of the collector or under instructions of the commissioner.

"Every such dealer shall be assigned a number by the collector of the district, which number shall appear in every inventory, invoice, and report rendered by the dealer, who shall also obtain certificates from the collector of the district setting forth the place where his business is carried on and the places designated by the dealer as the places of storage of his tobacco, which certificates shall be posted conspicuously within the dealer's registered place of business, and within each designated place of storage.

"(b) Every dealer in leaf tobacco shall make and deliver to the collector of the district a true inventory of the quantity of the different kinds of tobacco held or owned, and where stored by him, on the 1st day of January of each year, or at the time of commencing and at the time of concluding business, if before or after the 1st day of January, such inventory to be made under oath and rendered in such form as may be prescribed by the commissioner.

"Every dealer in leaf tobacco shall render such invoices and keep such records as shall be prescribed by the commissioner, and shall enter therein, day by day, and upon the same day on which the circumstance, thing, or act to be recorded is done or occurs, an accurate account of the number of hogsheads, tierces, cases, and bales, and quantity of leaf tobacco contained therein, purchased or received by him, on assignment, consignment, for storage, by transfer, or otherwise, and of whom purchased or received, and the number of hogsheads, tierces, cases, and bales, and the quantity of leaf tobacco contained therein, sold by him, with the name and residence in each instance of the person to whom sold, and if shipped, to whom shipped, and to what district; such records shall be kept at his place of business at all times and preserved for a period of two years, and the same shall be open at all hours for the inspection of any internal-revenue officer or agent.

"Every dealer in leaf tobacco on or before the 10th day of each month, shall furnish to the collector of the district a true and complete report of all purchases, receipts, sales, and shipments of leaf tobacco made by him during the month next preceding, which report shall be verified and rendered in such form as the commissioner, with the approval of the Secretary, shall prescribe.

"(c) Sales or shipments of leaf tobacco by a dealer in leaf tobacco shall be in quantities of not less than a hogshead, tierce, case, or bale, except loose leaf tobacco comprising the breaks on warehouse floors, and except to a duly registered manufacturer of cigars for use in his own manufactory exclusively.

"Dealers in leaf tobacco shall make shipments of leaf tobacco only to other dealers in leaf tobacco, to registered manufacturers of tobacco, snuff, cigars or cigarettes, or for export.

"(d) Upon all leaf tobacco sold, removed, or shipped by any dealer in leaf tobacco in violation of the provisions of subdivision (c), or in respect to which no report has been made by such dealer in accordance with the provisions of subdivision (b), there shall be levied, assessed, collected, and paid a tax equal to the tax then in force upon manufactured tobacco, such tax to be assessed and collected in the same manner as the tax on manufactured tobacco.

"(e) Every dealer in leaf tobacco

"(1) who neglects or refuses to furnish the statement, to give bond, to keep books, to file inventory, or to render the invoices, returns, or reports required by the commissioner, or to notify the collector of the district of additions to his places of storage; or

"(2) who ships or delivers leaf tobacco, except as herein provided; or

"(3) who fraudulently omits to account for tobacco purchased, received, sold, or shipped;

shall be fined not less than $100 or more than $500, or imprisoned not more than one year, or both.

"(f) For the purposes of this section a farmer or grower of tobacco shall not be regarded as a dealer in leaf tobacco in respect to the leaf tobacco produced by him."

TITLE VIII.—TAX ON ADMISSIONS AND DUES.

SEC. 800. (a) That from and after ————, ——, there shall be levied, assessed, collected, and paid, in lieu of the taxes imposed by section 700 of the revenue act of 1917—

(1) A tax of 1 cent for each 10 cents or fraction thereof of the amount paid for admission to any place on or after such date, including admission by season ticket or subscription, to be paid by the person paying for such admission;

(2) In the case of persons (except bona fide employees, municipal officers on official business, persons in the military or naval forces of the United States when in uniform, and children under 12 years of age) admitted free or at reduced rates to any place at a time when and under circumstances under which an admission charge is made to other persons, a tax of 1 cent for each 10 cents or fraction thereof of the price so charged to such other persons for the same or similar accommodations, to be paid by the person so admitted;

(3) Upon tickets or cards of admission to theaters, operas, and other places of amusement, sold at news stands, hotels, and places other than the ticket offices of such theaters, operas, or other places of amusement, at not to exceed 50 cents in excess of the sum of the established price therefor at such ticket offices plus the amount of any tax imposed under paragraph (1), a tax equivalent to 10 per cent of the amount of such excess; and if sold for more than 50 cents in excess of the sum of such established price plus the amount of any tax imposed under paragraph (1), a tax equivalent to 50 per cent of the whole amount of such excess, such taxes to be returned and paid, in the manner provided in section 903, by the person selling such tickets;

(4) A tax equivalent to 50 per cent of the amount for which the proprietors, managers, or employees of any opera house, theater, or other place of amusement sell or dispose of tickets or cards of admission in excess of the regular or established price or charge therefor, such tax to be returned and paid, in the manner provided in section 903, by the person selling such tickets;

(5) In the case of persons having the permanent use of boxes or seats in an opera house or any place of amusement or a lease for the use of such box or seat in such opera house or place of amusement (in lieu of the tax imposed by paragraph (1)), a tax equivalent to 10 per cent of the amount for which a similar box or seat is sold for each performance or exhibition at which the box or seat is used or reserved by or for the lessee or holder, such tax to be paid by the lessee or holder; and

(6) A tax of 1 cent for each 10 cents or fraction thereof of the amount paid for admission to any public performance for profit at any roof garden, cabaret, or other similar entertainment, to which the charge for admission is wholly or in part included in the price paid for refreshment, service, or merchandise; the amount paid for such admission to be deemed to be 20 per cent of the amount paid for refreshment, service, and merchandise; such tax to be paid by the person paying for such refreshment, service, or merchandise.

(b) No tax shall be levied under this title in respect to any admissions all the proceeds of which inure exclusively to the benefit of religious, educational, or charitable institutions, societies, or organizations, or organizations conducted for the sole purpose of maintaining symphony orchestras and receiving substantial support from voluntary contributions, or exclusively to the benefit of persons in the military or naval forces of the United States, or admissions to agricultural fairs none of the profits of which are distributed to stockholders or members of the association conducting the same.

(c) The term "admission" as used in this title includes seats and tables, reserved or otherwise, and other similar accommodations, and the charges made therefor.

(d) The price (exclusive of the tax to be paid by the person paying for admission) at which every admission ticket or card is sold shall be conspicuously and indelibly printed, stamped, or written on the face or back thereof, together with the name of the vendor if sold other than at the ticket office of the theater, opera, or other place of amusement. Whoever sells an admission ticket or card on which the name of the vendor and price is not so printed, stamped, or written, or at a price in excess of the price so printed, stamped, or written thereon, is guilty of a misdemeanor, and upon conviction thereof shall be fined not more than $100.

SEC. 801. That from and after ——— there shall be levied, assessed, collected, and paid, in lieu of the taxes imposed by section 701 of the revenue act of 1917, a tax equivalent to 10 per cent of any amount paid on or after such date, for any period after such date, (a) as dues or membership fees (where the dues or fees of an active resident annual member are in excess of $10 per year) to any social, athletic, or sporting club or organization, or (b) as initiation fees to such a club or organization, if such fees amount to more than $10, or if the dues or membership fees (not including initiation fees) of an active resident annual member are in excess of $10 per year; such taxes to be paid by the person paying such dues or fees: *Provided*, That there shall be exempted from the provisions of this section all amounts paid as dues or fees to a fraternal society, order, or association, operating under the lodge system. In the case of life memberships a life member shall pay annually, at the time for the payment of dues by active resident annual members, a tax equivalent to the tax upon the amount paid by such a member, but shall pay no tax upon the amount paid for life membership.

SEC. 802. That every person (a) receiving any payments for such admission, dues, or fees shall collect the amount of the tax imposed by section 800 or 801 from the person making such payments, or (b) admitting any person free to any place for admission to which a charge is made, shall collect the amount of the tax imposed by section 800 from the person so admitted. Every club or organization having life members shall collect from such members the amount of the tax imposed by section 801. In all the above cases returns and payments of the amount so collected shall be made at the same time and in the same manner as provided in section 502.

TITLE IX.—EXCISE TAXES.

SEC. 900. That there shall be levied, assessed, collected, and paid, upon the following articles sold or leased by the manufacturer, producer, or importer, a tax equivalent to the following percentages of the price for which so sold or leased—

(1) Automobiles, motorcycles, automobile trucks, automobile wagons, automobile trailers or tractors, 5 per cent;

(2) Tires, inner tubes, parts, or accessories, for any of the articles enumerated in subdivision (1), sold to any person other than a manufacturer or producer of any of the articles enumerated in subdivision (1), 5 per cent;

(3) Pianos, organs (other than pipe organs), piano players, graphophones, phonographs, talking machines, music boxes, and records used in connection with any musical instrument, piano player, graphophone, phonograph, or talking machine, 5 per cent;

(4) Tennis rackets, nets, racket covers and presses, skates, snowshoes, skis, toboggans, canoes, paddles and cushions, polo mallets, baseball bats, gloves, masks, protectors, shoes and uniforms, football helmets, harness, and goals, basket-ball goals and uniforms, golf bags and clubs, lacrosse sticks, balls of all kinds, including baseballs, footballs, tennis, golf, lacrosse, billiard and pool balls, fishing rods and reels, billiard and pool tables, chess and checker boards and pieces, dice, games and parts of games (except playing cards and children's toys and games), and all similar articles commonly or commercially known as sporting goods, 10 per cent;

(5) Chewing gum or substitutes therefor, 3 per cent;

(6) Cameras, 10 per cent;

(7) Photographic films and plates, other than moving-picture films, 5 per cent;

(8) Candy, 5 per cent;

(9) Firearms, shells, and cartridges, except those sold for the use of the United States, any State, Territory, or possession of the United States, any political subdivision thereof, the District of Columbia, or any foreign country while engaged against the German Government in the present war, 10 per cent;

(10) Hunting and bowie knives, 10 per cent;

(11) Dirk knives, daggers, sword canes, stilettos, and brass or metallic knuckles, 100 per cent;

(12) Portable electric fans, 5 per cent;

(13) Thermos and thermostatic bottles, carafes, jugs, or other thermostatic containers, 5 per cent;

(14) Cigar or cigarette holders and pipes, composed wholly or in part of meerschaum or amber, humidors, and smoking stands, 10 per cent;

(15) Automatic slot-device weighing or vending machines, 5 per cent; if the manufacturer, producer, or importer of any such machine operates it for profit he shall pay a tax in respect to each such machine put into operation equivalent to 5 per cent of its fair market value;

(16) Liveries and livery boots and hats, 10 per cent;

(17) Hunting and shooting garments and riding habits, 10 per cent;

(18) Articles made out of any fur, or articles of which fur is the component material of chief value, 10 per cent;

(19) Yachts and motor boats; and pleasure boats and canoes if sold for more than $15, 10 per cent; and

(20) Toilet soaps and toilet-soap powders, 3 per cent.

If any manufacturer, producer, or importer of any of the articles enumerated in this section customarily sells such articles both at wholesale and at retail, the tax in the case of any article sold by him at retail shall be computed on the price for which like articles are sold by him at wholesale.

The taxes imposed by this section shall, in the case of any article in respect to which a corresponding tax is imposed by section 600 of the revenue act of 1916, be in lieu of such tax.

SEC. 901. That if any person manufactures, produces, or imports any article enumerated in section 900, or leases or licenses for exhibition any positive motion-picture film containing a picture ready for projection, and, whether through any agreement, arrangement, understanding, or otherwise, sells, leases, or licenses at less than the fair market price obtainable therefor, either (a) in such manner as directly or indirectly to benefit such person or any person directly or indirectly interested in the business of such person, or (b) with intent to cause such benefit, the amount for which such article is sold, leased, or licensed shall be taken to be the amount which would have been received from the sale, lease, or license of such article if sold, leased, or licensed at the fair market price.

SEC. 902. That there shall be levied, assessed, collected, and paid upon sculpture, paintings, statuary, art porcelains, and bronzes, sold by any person other than the artist, and upon antique furniture sold by any person, a tax equivalent to 5 per cent of the price for which so sold. This section shall not apply to the sale of any such article to an educational institution or art museum.

SEC. 903. That every person liable for any tax imposed by section 900, 902, or 905 shall make monthly returns under oath in duplicate and pay the taxes imposed by such sections to the collector for the district in which is located the principal place of business. Such returns shall contain such information and be made at such times and in such manner as the commissioner, with the approval of the Secretary, may by regulations prescribe.

The tax shall, without assessment by the commissioner or notice from the collector, be due and payable to the collector at the time so fixed for filing the return. If the tax is not paid when due there shall be added as part of the tax a penalty of 5 per cent, together with interest at the rate of 1 per cent for each full month, from the time when the tax became due.

SEC. 905. (a) That on and after November 1, 1918, there shall be levied, assessed, collected, and paid a tax equivalent to 20 per cent of so much of the amount paid for any of the following articles as is in excess of the price hereinafter specified as to each such article, when such article is sold on or after such date for consumption or use—

(1) Carpets and rugs, including fiber, except imported and American rugs made principally of wool, on the amount in excess of $5 per square yard;

(2) Picture frames, on the amount in excess of $10 each;

(3) Trunks, on the amount in excess of $50 each;

(4) Valises, traveling bags, suit cases, hat boxes used by travelers, and fitted toilet cases, on the amount in excess of $25 each;

(5) Purses, pocketbooks, shopping and hand bags, on the amount in excess of $7.50 each;

(6) Portable lighting fixtures, including lamps of all kinds and lamp shades, on the amount in excess of $25 each;

(7) Umbrellas, parasols, and sun shades, on the amount in excess of $4 each;

(8) Fans, on the amount in excess of $1 each;

(9) House or smoking coats or jackets, and bath or lounging robes, on the amount in excess of $7.50 each;

(10) Men's waistcoats, sold separately from suits, on the amount in excess of $5 each;

(11) Men's and boys' suits or overcoats, not including uniforms of officers in the military or naval forces of the United States, on the amount in excess of $50 each;

(12) Women's and misses' suits, cloaks, and coats, on the amount in excess of $50 each, or, when made up by a tailor or seamstress, on the amount in excess of $50 in value each;

(13) Women's and misses' dresses, on the amount in excess of $40 each, or, when made up by a tailor or seamstress, on the amount in excess of $40 in value each;

(14) Women's and misses' hats, bonnets, and hoods, on the amount in excess of $15 each;

(15) Men's and boys' hats, on the amount in excess of $5 each;

(16) Men's and boys' caps, on the amount in excess of $2 each;

(17) Men's, women's, misses', and boys' boots, shoes, pumps, and slippers, not including shoes or appliances made to order for any person having a crippled or deformed foot or ankle, on the amount in excess of $10 per pair.

(18) Men's and boys' neckties and neckwear, on the amount in excess of $2 each;

(19) Men's and boys' silk stockings or hose, on the amount in excess of $1 per pair;

(20) Women's and misses' silk stockings or hose, on the amount in excess of $2 per pair;

(21) Men's shirts, on the amount in excess of $3 each;

(22) Men's, women's, misses', and boys' pajamas, nightgowns, and underwear, on the amount in excess of $5 each; and

(23) Kimonos, petticoats, and waists, on the amount in excess of $15 each.

(b) The tax imposed by this section shall not apply to any article enumerated in paragraphs (2) to (8), both inclusive, of subdivision (a), if such article is made of, or ornamented, mounted, or fitted with, precious metals or imitations thereof or ivory, or to any article enumerated in subdivision (20) or (21) of section 900.

(c) The taxes imposed by this section shall be paid by the purchaser to the vendor at the time of the sale and shall be collected, returned, and paid to the United States by such vendor in the same manner as provided in section 502. As used in this subdivision the term "vendor" includes a tailor or dressmaker making up women's or misses' suits, cloaks, coats, or dresses.

SEC. 906. That on and after ————, ——, there shall be levied, assessed, collected, and paid (in lieu of the tax imposed by subdivision (e) of section 600 of the revenue act of 1917) upon all articles commonly or commercially known as jewelry, whether real or imitation; pearls, precious and semiprecious stones, and imitations thereof; articles made of, or ornamented, mounted, or fitted with, precious metals or imitations thereof or ivory (not including surgical instruments); watches; clocks; opera glasses; lorgnettes; marine glasses; field glasses; and binoculars; upon any of the above when sold by a dealer for consumption or use, a tax equivalent to 5 per cent of the price for which so sold.

Every person selling any of the articles enumerated in this section shall make returns under oath in duplicate (monthly or quarterly, as the commissioner, with the approval of the Secretary, may prescribe) and pay the taxes imposed in respect to such articles by this section to the collector for the district in which is located the principal place of business. Such returns shall contain such information and be made at such times and in such manner as the commissioner, with the approval of the Secretary, may by regulations prescribe.

The tax shall, without assessment by the commissioner or notice from the collector, be due and payable to the collector at the time so fixed for filing the return. If the tax is not paid when due, there shall be added as part of the tax a penalty of 5 per cent, together with interest at the rate of 1 per cent for each full month from the time when the tax became due.

SEC. 907. That on and after the 1st day of ————, 1919, any person engaged in the business of leasing or licensing for exhibition positive motion-picture films containing pictures ready for projection shall pay monthly an excise tax in respect to carrying on such business equal to 5 per cent of the total rentals earned from each such lease or license during the preceding month. If a person owning such a film exhibits it for profit he shall pay a tax equivalent to 5 per cent of the fair rental or license value of such film at the time and place where and for the period during which exhibited. If any such person has, prior to December 6, 1918, made a bona fide contract with any person for the lease or licensing, after the tax imposed by this section takes effect, of such a film for exhibition for profit, and if such contract does not permit the adding of the whole of the tax imposed by this section to the amount to be paid under such contract, then the lessee or licensee shall, in lieu of the lessor or licensor, pay so much of such tax as is not so permitted to be added to the contract price. The tax imposed by this section shall be in lieu of the tax imposed by subdivisions (c) and (d) of section 600 of the revenue act of 1917.

SEC. 908. (a) That on and after ————, ——, there shall be levied, assessed, collected, and paid (in lieu of the taxes imposed by subdivisions (g) and (h) of section 600 of the revenue act of 1917) a tax of 1 cent for each 25 cents or fraction thereof of the amount paid for any of the following articles when sold by a dealer on or after such date for consumption or use:

(1) Perfumes, essences, extracts, toilet waters, cosmetics, petroleum jellies, hair oils, pomades, hair dressings, hair restoratives, hair dyes, tooth and mouth washes, dentifrices, tooth pastes, aromatic cachous, toilet powders (other than soap powders), or any similar substance, article, or preparation by whatsoever name known or distinguished, any of the above which are used or applied or intended to be used or applied for toilet purposes;

(2) Pills, tablets, powders, tinctures, troches or lozenges, sirups, medicinal cordials or bitters, anodynes, tonics, plasters, liniments, salves, ointments, pastes, drops, waters (except those taxed under section 628 of this act), essences, spirits, oils, and other medicinal preparations, compounds, or compositions (not including serums and antitoxins), upon the amount paid for any of the above as to which the manufacturer or producer claims to have any private formula, secret, or occult art for making or preparing the same, or has or claims to have any exclusive right or title to the making or preparing the same, or which are prepared, uttered, vended, or exposed for sale under any letters patent, or trade-mark, or which (if prepared by any formula, published or unpublished) are held out or recommended to the public by the makers, vendors, or proprietors thereof as proprietary medicines or medicinal proprietary articles or preparations, or as remedies or specifics for any disease, diseases, or affection whatever affecting the human or animal body: *Provided*, That the provisions of this section shall not apply to the sale of medicinal preparations which are not advertised to the general lay public.

(b) The taxes imposed by this section shall be collected by whichever of the following methods the commissioner may deem expedient: (1) by stamp affixed to such article by the vendor, the cost of which shall be reimbursed to the vendor by the purchaser; or (2) by payment to the vendor by the purchaser at the time of the sale, the taxes so collected being returned and paid to the United States by such vendor in the same manner as provided in section 502.

SEC. 909. That under such rules and regulations as the commissioner, with the approval of the Secretary, may prescribe, the tax imposed under the provisions of this title shall ont apply in respect to articles sold or released for export and in due course so exported. Under such rules and regulations the amount of any internal-revenue tax erroneously or illegally collected in respect to exported articles may be refunded to the exporter of the article, instead of to the manufacturer, if the manufacturer waives any claim for the amount so to be refunded.

TITLE X.—SPECIAL TAXES.

SEC. 1000. (a) That on and after July 1, 1918, in lieu of the tax imposed by the first subdivision of section 407 of the revenue act of 1916—

(1) Every domestic corporation shall pay annually a special excise tax with respect to carrying on or doing business, equivalent to $1 for each $1,000 of the excess over $5,000 of the amount of its net assets shown by its books as of the close of the preceding annual period used by the corporation for purposes of making its income-tax return; but if the corporation made no such return then of the excess over $5,000 of the amount of its net assets shown by its books as of the 30th day of June preceding;

(2) Every foreign corporation shall pay annually a special excise tax with respect to carrying on or doing business in the United States, equivalent to $1 for each $1,000 of the average amount of capital employed in the transaction of its business in the United States during the preceding year ending June 30.

(b) The taxes imposed by this section shall not apply in any year to any corporation which was not engaged in business (or, in the case of a foreign corporation, not engaged in business in the United States) during the preceding year ending June 30, nor to any corporation enumerated in section 231.

(c) Section 257 shall apply to all returns filed with the commissioner for purposes of the tax imposed by this section.

SEC. 1001. That on and after January 1, 1919, there shall be levied, collected, and paid annually the following special taxes—

(1) Brokers shall pay $40. Every person whose business it is to negotiate purchases or sales of stocks, bonds, exchange, bullion, coined money, bank notes, promissoy notes, other securities, produce or merchandise, for others, shall be regarded as a broker. If a broker is a member of a stock exchange, or if he is a member of any produce exchange, board of trade, or similar organization, where produce or merchandise is sold, he shall pay an additional amount as follows: If the average value, during the preceding year ending June 30, of a seat or membership in such exchange or organization was $2,000 or more but not more than $5,000, $100; if such value was more than $5,000, $150.

(2) Pawnbrokers shall pay $100. Every person whose business or occupation it is to take or receive, by way of pledge, pawn, or exchange, any goods, wares, or merchandise, or any kind of personal property whatever, as security for the repayment of money loaned thereon, shall be regarded as a pawnbroker. If the gross receipts of such pawnbroker for the preceding year ending June 30 were $2,000 or more but not more than $5,000, he shall pay $100 additional; if such gross receipts were more than $5,000 he shall pay $150 additional.

(3) Ship brokers shall pay $40. Every person whose business it is as a broker to negotiate freights and other business for the owners of vessels, or for the shippers or consignors or consignees of freight carried by vessels, shall be regarded as a ship broker.

(4) Customhouse brokers shall pay $40. Every person whose occupation it is, as the agent of others, to arrange entrise and other customhouse papers, or transact business at any port of entry relating to the importation of exportation of goods, wares, or merchandise, shall be regarded as a customhouse broker.

(5) Proprietors of theaters, museums, and concert halls, where a charge for admission is made, having a seating capacity of not more than 250, shall pay $50; having a seating capacity of more than 250 and not exceeding 500, shall pay $100; having a seating capacity exceeding 500 and not exceeding 800, shall pay $150; having a seating capacity of more than 800, shall pay $200. Every edifice used for the purpose of dramatic or operatic or other representations, plays, or performances, for admission to which entrance money is received, not including halls or armories rented or used occasionally for concerts or theatrical representations, and not including edifices owned by religious, educational or charitable institutions, societies or organizations where all the proceeds from admissions inure exclusively to the benefit of such institutions, societies, or organizations or exclusively to the benefit of persons in the military or naval forces of the United States, shall be regarded as a theater: *Provided*, That in cities, towns, or villages of 5,000 inhabitants or less the amount of such payment shall be one-half of that above stated: *Provided further*, That whenever any such edifice is under lease at the time the tax is due the tax shall be paid by the lessee, unless otherwise stipulated between the parties to the lease.

(6) The proprietor or proprietors of circuses shall pay $100. Every building, space, tent, or area where feats of horsemanship or acrobatic sports or theatrical performances not otherwise provided for in this section are exhibited shall be regarded as a circus: *Provided*, That no special tax paid in one State, Territory, or the District of Columbia shall exempt exhibitions from the tax in another State, Territory, or the District of Columbia, and but one special tax shall be imposed for exhibitions within any one State, Territory, or District.

(7) Proprietors or agents of all other public exhibitions or shows for money not enumerated in this section shall pay $15: *Provided*, That a special tax paid in one State, Territory, or the District of Columbia shall not exempt exhibitions from the tax in another State, Territory, or the District of Columbia, and but one special tax shall be required for exhibitions within any one State, Territory, or the District of Columbia: *Provided further*, That this paragraph shall not apply to Chautauquas, lecture lyceums, agricultural or industrial fairs, or exhibitions held under the auspices of religious or charitable associations: *Provided further*, That an aggregation of entertainments, known as a street fair, shall not pay a larger tax than $100 in any State, Territory, or in the District of Columbia.

(8) Proprietors of bowling alleys and billiard rooms shall pay $10 for each alley or table. Every building or place where bowls are thrown or where games of billiards or pool are played, except in private homes, shall be regarded as a bowling alley or a billiard room, respectively.

(9) Proprietors of shooting galleries shall pay $20. Every building, space, tent, or area where a charge is made for the discharge of firearms at any form of target shall be regarded as a shooting gallery.

(10) Proprietors of riding academies shall pay $100. Every building, space, tent, or area where a charge is made for instruction in horsemanship or for facilities for the practice of horsemanship shall be regarded as a riding academy.

(11) Persons carrying on the business of operating or renting passenger automobiles for hire shall pay $10 for each such automobile having a seating capacity of more than two and not more than seven and $20 for each such automobile having a seating capacity of more than seven.

The taxes imposed by this section shall, in the case of persons upon whom a corresponding tax is imposed by section 407 of the revenue act of 1916, be in lieu of such tax.

SEC. 1002. That on and after January 1, 1919, there shall be levied, collected, and paid annually, in lieu of the taxes imposed by section 408 of the revenue act of 1916, the following special taxes, the amount of such taxes to be computed on the basis of the sales for the preceding year ending June 30—

Manufacturers of tobacco whose annual sales do not exceed 50,000 pounds shall each pay $6;

Manufacturers of tobacco whose annual sales exceed 50,000 and do not exceed 100,000 pounds shall each pay $12;

Manufacturers of tobacco whose annual sales exceed 100,000 and do not exceed 200,000 pounds shall each pay $24;

Manufacturers of tobacco whose annual sales exceed 200,000 pounds shall each pay $24, and at the rate of 16 cents per thousand pounds, or fraction thereof, in respect to the excess over 200,000 pounds;

Manufacturers of cigars whose annual sales do not exceed 50,000 cigars shall each pay $4;

Manufacturers of cigars whose annual sales exceed 50,000 and do not exceed 100,000 cigars shall each pay $6;

Manufacturers of cigars whose annual sales exceed 100,000 and do not exceed 200,000 cigars shall each pay $12;

Manufacturers of cigars whose annual sales exceed 200,000 and do not exceed 400,000 cigars shall each pay $24;

Manufacturers of cigars whose annual sales exceed 400,000 cigars shall each pay $24, and at the rate of 10 cents per 1,000 cigars, or fraction thereof, in respect to the excess over 400,000 cigars.

Manufacturers of cigarettes, including small cigars weighing not more than 3 pounds per 1,000, shall each pay at the rate of 6 cents for every 10,000 cigarettes, or fraction thereof.

In arriving at the amount of special tax to be paid under this section, and in the levy and collection of such tax, each person engaged in the manufacture of more than one of the classes of articles specified in this section shall be considered and deemed a manufacturer of each class separately.

SEC. 1003. That 60 days after the passage of this act, and thereafter on July 1 in each year, and also at the time of the original purchase of a new boat by a user, if on any other day than July 1, there shall be levied, assessed, collected, and paid in lieu of the tax imposed by section 603 of the revenue act of 1917 upon the use of yachts, pleasure boats, power boats, and sailing boats, of over 5 gross tons, and motor boats with fixed engines, not used exclusively for trade, fishing, or national defense, or not built according to plans and specifications approved by the Navy Department, a special excise tax to be based on each yacht or boat, at rates as follows: Yachts, pleasure boats, power boats, motor boats with fixed engines, and sailing boats, of over 5 gross tons, length not over 50 feet, $1 for each foot, length over 50 feet and not over 400 feet, $2 for each foot; length over 100 feet, $4 for each foot; motor boats of not over 5 gross tons with fixed engines, $10.

In determining the length of such yachts, pleasure boats, power boats, motor boats with fixed engines, and sailing boats, the measurement of over-all length shall govern.

In the case of a tax imposed at the time of the original purchase of a new boat on any other date than July 1, and in the case of the tax taking effect 60 days after the passage of this act, the amount to be paid shall be the same number of twelfths of the amount of the tax as the number of calendar months (including the month of sale, or the month in which is included the 61st day after the passage of this act, as the case may be) remaining prior to the following July 1.

If the tax imposed by section 603 of the revenue act of 1917, for the fiscal year ending June 30, 1919, has been paid in respect to the use of any boat, the amount so paid shall under such regulations as the commissioner, with the approval of the Secretary, may prescribe, be credited upon the first tax due under this section in respect to the use of such boat, or be refunded to the person paying the first tax imposed by this section in respect to the use of such boat.

SEC. 1004. That if the tax imposed by section 407 or 408 of the revenue act of 1916, for the fiscal year ending June 30, 1919, has been paid by any person subject to the corresponding tax imposed by this title, collectors may issue a receipt in lieu of special tax stamp for the amount by which the tax under this title is in excess of that paid or payable and evidenced by stamp under the revenue act of 1916. Such receipt shall be posted as in the case of the special tax stamp, as provided by law, and with it, within the place of business of the taxpayer.

If the corresponding tax imposed by section 407 of the revenue act of 1916 was not payable by stamp, the amount paid under such section for any period for which a tax is also imposed by this title may be credited against the tax imposed by this title.

SEC. 1005. That any person who carries on any business or occupation for which a special tax is imposed by sections 1000, 1001, or 1002, without having paid the special tax therein provided, shall, besides being liable for the payment of such special tax, be subject to a penalty of not more than $1,000 or to imprisonment for not more than one year, or both.

SEC. 1006. That section 1 of the act of Congress approved December 17, 1914, is hereby amended to read as follows:

"SECTION 1. That on or before July 1 of each year every person who imports, manufactures, produces, compounds, sells, deals in, dispenses, or gives away opium or coca leaves, or any compound, manufacture, salt, derivative, or preparation thereof, shall register with the collector of internal revenue of the district his name or style, place of business and place or places where such business is to be carried on, and pay the special taxes hereinafter provided;

"Every person who on January 1, 1919, is engaged in any of the activities above enumerated, or who between such date and the passage of this act first engages in any of such activities, shall within 30 days after the passage of this act make like registration, and shall pay the proportionate part of the tax for the period ending June 30, 1919;

"Every person who first engages in any of such activities after the passage of this act shall immediately make like registration and pay the proportionate part of the tax for the period ending on the following June 30;

"Importers, manufacturers, producers, or compounders, $24 per annum; wholesale dealers, $12 per annum; retail dealers, $6 per annum; physicians, dentists, veterinary surgeons, and other practitioners lawfully entitled to distribute, dispense, give away, or administer any of the aforesaid drugs to patients upon whom they in the course of their professional practice are in attendance, shall pay $3 per annum.

"Every person who imports, manufactures, compounds, or otherwise produces for sale or distribution any of the aforesaid drugs shall be deemed to be an importer, manufacturer, or producer.

"Every person who sells or offers for sale any of said drugs in the original stamped packages, as hereinafter provided, shall be deemed a wholesale dealer.

"Every person who sells or dispenses from original stamped packages, as hereinafter provided, shall be deemed a retail dealer: *Provided*, That the office, or if none, the residence, of any person shall be considered for the purpose of this act his place of business; but no employee or any person who has registered and paid special tax as herein required, acting within the scope of his employment, shall be required to register and pay special tax provided by this section: *Provided further*, That officials of the United States, Territorial, District of Columbia, or insular possessions, State or municipal governments, who in the exercise of their official duties engage in any of the business herein described, shall not be required to register, nor pay special tax, nor stamp the aforesaid drugs as hereinafter prescribed, but their right to this exemption shall be evidenced in such manner as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may by regulations prescribe.

"It shall be unlawful for any person required to register under the provisions of this act to import, manufacture, produce, compound, sell, deal in, dispense, distribute, administer, or give away any of the aforesaid drugs without having registered and paid the special tax as imposed by this section.

"That the word 'person' as used in this act shall be construed to mean and include a partnership, association, company, or corporation, as well as a natural person; and all provisions of existing law relating to special taxes, as far as necessary, are hereby extended and made applicable to this section.

"That there shall be levied, assessed, collected, and paid upon opium, coca leaves, any compound, salt, derivative, or preparation thereof, produced in or imported into the United States, and sold, or removed for consumption or sale, an internal-revenue tax at the rate of 1 cent per ounce, and any fraction of an ounce in a package shall be taxed as an ounce, such tax to be paid by the importer, manufacturer, producer, or compounder thereof, and to be represented by appropriate stamps, to be provided by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury; and the stamps herein provided shall be so affixed to the bottle or other container as to securely seal the stopper, covering, or wrapper thereof.

"The tax imposed by this section shall be in addition to any import duty imposed on the aforesaid drugs.

"It shall be unlawful for any person to purchase, sell, dispense, or distribute any of the aforesaid drugs except in the original stamped package or from the original stamped package; and the absence of appropriate tax-paid stamps from any of the aforesaid drugs shall be prima facie evidence of a violation of this section by the person in whose possession same may be found; and the possession of any original stamped package containing any of the aforesaid drugs by any person who has not registered and paid special taxes as required by this section shall be prima facie evidence of liability to such special tax: *Provided*, That the provisions of this paragraph shall not apply to any person having in his or her possession any of the aforesaid drugs which have been obtained from a registered dealer in pursuance of a prescription, written for legitimate medical uses, issued by a physician, dentist, veterinary surgeon, or other practitioner registered under this act; and where the bottle or other container in which such drug may be put up by the dealer upon said prescription bears the name and registry number of the druggist, serial number of prescription, name and address of the patient, and name, address, and registry number of the person writing said prescription; or to the dispensing, or administration, or giving away of any of the aforesaid drugs to a patient by a registered physician, dentist, veterinary surgeon, or other practitioner in the course of his professional practice in personal attendance upon such patient, and where said drugs are dispensed or administered to the patient for legitimate medical purposes, and the record kept as required by this act of the drugs so dispensed, administered, distributed, or given away.

"And all the provisions of existing laws relating to the engraving, issuance, sale, accountability, cancellation, and destruction of tax-paid stamps provided for in the internal-revenue laws are, in so far as necessary, hereby extended and made to apply to stamps provided by this section.

"That all unstamped packages of the aforesaid drugs found in the possession of any person, except as herein provided, shall be subject to seizure and forfeiture, and all the provisions of existing internal-revenue laws relating to searches, seizures, and forfeitures of unstamped articles are hereby extended to and made to apply to the articles taxed under this act and the persons upon whom these taxes are imposed.

"Importers, manufacturers, and wholesale dealers shall keep such books and records and render such monthly returns in relation to the transactions in the aforesaid drugs as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may by regulations require.

"The Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall make all needful rules and regulations for carrying the provisions of this act into effect."

SEC. 1007. That all opium, its salts, derivatives, and compounds, and coca leaves, salts, derivatives, and compounds thereof, which may now be under seizure or which may hereafter be seized by the United States Government from any person or persons charged with any violation of the act of October 1, 1890, as amended by the acts of March 3, 1897, February 9, 1909, and January 17, 1914, or the act of December 17, 1914, shall upon conviction of the person or persons from whom seized be confiscated by and forfeited to the United States; and the Secretary is hereby authorized to deliver for medical or scientific purposes to any department, bureau, or other agency of the United States Government, upon proper application therefor under such regulation as may be prescribed by the commissioner with the approval of the Secretary, any of the drugs so seized, confiscated, and forfeited to the United States.

The provisions of this section shall also apply to any of the aforesaid drugs seized or coming into the possession of the United States in the enforcement of any of the above-mentioned acts where the owner or owners thereof are unknown. None of the aforesaid drugs coming into possession of the United States under the operation of said acts, or the provisions of this section, shall be destroyed without certification by a committee appointed by the commissioner, with the approval of the Secretary, that they are of no value for medical or scientific purposes.

SEC. 1008. That the act approved October 22, 1914, entitled "An act to increase the internal revenue, and for other purposes," and the joint resolution approved December 17, 1915, entitled "Joint resolution extending the provisions of the act entitled 'An act to increase the internal revenue, and for other purposes,' approved October 22, 1914, to December 31, 1916," are hereby repealed, except that the provisions of such act shall remain in force for the assessment and collection of all special taxes imposed by sections 3 and 4 thereof, or by such sections as extended by such joint resolution, for any year or part thereof ending prior to January 1, 1917, and of all other taxes imposed by such act, or by such act as so extended, accrued prior to September 8, 1916, and for the imposition and collection of all penalties or forfeitures which have accrued or may accrue in relation to any of such taxes.

TITLE XI.—STAMP TAXES.

SEC. 1100. That on and after ——— there shall be levied, collected, and paid, for and in respect of the several bonds, debentures, or certificates of stock and of indebtedness, and other documents, instruments, matters, and things mentioned and described in Schedule A of title, or for or in respect of the vellum, parchment, or paper upon which such instruments, matters, or things, or any of them, are written or printed, by any person who makes, signs, issues, sells, removes, consigns, or ships the same, or for whose use or benefit the same are made, signed, issued, sold, removed, consigned, or shipped, the several taxes specified in such schedule. The taxes imposed by this section shall, in the case of any article upon which a corresponding stamp tax is now imposed by law, be in lieu of such tax.

SEC. 1101. That there shall not be taxed under this title any bond, note, or other instrument issued by the United States or by any foreign government, or by any State, Territory, or the District of Columbia, or local subdivision thereof, or municipal or other corporation exercising the taxing power; or any bond of indemnity required to be filed by any person to secure payment of any pension, allowance, allotment, relief, or insurance by the United States; or stocks and bonds issued by cooperative building and loan associations which are organized and operated exclusively for the benefit of their members and make loans only to their shareholders, or by mutual ditch or irrigating companies.

SEC. 1102. That whoever—

(a) Makes, signs, issues, or accepts, or causes to be made, signed, issued, or accepted, any instrument, document, or paper of any kind or description whatsoever without the full amount of tax thereon being duly paid;

(b) Consigns or ships, or causes to be consigned or shipped, by parcel post any parcel, package, or article without the full amount of tax being duly paid;

(c) Manufactures or imports and sells, or offers for sale, or causes to be manufactured or imported and sold, or offered for sale, any playing cards, package, or other article without the full amount of tax being duly paid;

(d) Makes use of any adhesive stamp to denote any tax imposed by this title without canceling or obliterating such stamp as prescribed in section 1104;

Is guilty of a misdemeanor, and upon conviction thereof shall pay a fine of not more than $100 for each offense.

SEC. 1103. That whoever—

(a) Fraudulently cuts, tears, or removes from any vellum, parchment, paper, instrument, writing, package, or article, upon which any tax is imposed by this title, any adhesive stamp or the impression of any stamp, die, plate, or other article provided, made, or used in pursuance of this title;

(b) Fraudulently uses, joins, fixes, or places to, with, or upon any vellum, parchment, paper, instrument, writing, package, or article, upon which any tax is imposed by this title, (1) any adhesive stamp, or the impression of any stamp, die, plate, or other article, which has been cut, torn, or removed from any other vellum, parchment, paper, instrument, writing, package, or article, upon which any tax is imposed by this title; or (2) any adhesive stamp or the impression of any stamp, die, plate, or other article of insufficient value; or (3) any forged or counterfeit stamp, or the impression of any forged or counterfeited stamp, die, plate, or other article;

(c) Willfully removes, or alters the cancellation, or defacing marks of, or otherwise prepares, any adhesive stamp, with intent to use, or cause the same to be used, after it has been already used, or knowingly or willfully buys, sells, offers for sale, or gives away, any such washed or restored stamp to any person for use, or knowingly uses the same;

(d) Knowingly and without lawful excuse (the burden of proof of such excuse being on the accused) has in possession any washed, restored, or altered stamp, which has been removed from any vellum, parchment, paper, instrument, writing, package, or article;

Is guilty of a misdemeanor, and upon conviction shall be punished by a fine of not more than $1,000, or by imprisonment for not more than five years, or both, and any such reused, canceled, or counterfeit stamp and the vellum, parchment, document, paper, package, or article upon which it is placed or impressed shall be forfeited to the United States.

SEC. 1104. That whenever an adhesive stamp is used for denoting any tax imposed by this title, except as hereinafter provided, the person using or affixing the same shall write or stamp or cause to be written or stamped thereupon the initials of his or its name and the date upon which the same is attached or used, so that the same may not again be used: *Provided*, That the commissioner may prescribe such other method for the cancellation of such stamps as he may deem expedient.

SEC. 1105. (a) That the commissioner shall cause to be prepared and distributed for the payment of the taxes prescribed in this title suitable stamps denoting the tax on the document, articles, or thing to which the same may be affixed, and shall prescribe such method for the affixing of said stamps in substitution for or in addition to the method provided in this title, as he may deem expedient.

(b) The commissioner, with the approval of the Secretary, is authorized to procure any of the stamps provided for in this title by contract whenever such stamps can not be speedily prepared by the Bureau of Engraving and Printing; but this authority shall expire on January 1, 1920, except as to imprinted stamps furnished under contract, authorized by the commissioner.

(c) All internal-revenue laws relating to the assessment and collection of taxes are hereby extended to and made a part of this title, so far as applicable, for the purpose of collecting stamp taxes omitted through mistake or fraud from any instrument, document, paper, writing, parcel, package, or article named herein.

SEC. 1106. That the commissioner shall furnish to the Postmaster General without prepayment a suitable quantity of adhesive stamps to be distributed to and kept on sale by the various postmasters in the United States. The Postmaster General may require each such postmaster to give additional or increased bond as postmaster for the value of the stamps so furnished, and each such postmaster shall deposit the receipts from the sale of such stamps to the credit of and render accounts to the Postmaster General at such times and in such form as he may by regulations prescribe. The Postmaster General shall at least once monthly transfer all collections from this source to the Treasury as internal-revenue collections.

SEC. 1107. That the collectors of the several districts shall furnish without prepayment to any assistant treasurer or designated depositary of the United States located in their respective collection districts a suitable quantity of adhesive stamps for sale. In such cases the collector may require a bond, with sufficient sureties, to an amount equal to the value of the adhesive stamps so furnished, conditioned for the faithful return, whenever so required, of all quantities or amounts undisposed of, and for the payment monthly of all quantities or amounts sold or not remaining on hand. The Secretary may from time to time make such regulations as he may find necessary to insure the safe-keeping or prevent the illegal use of all such adhesive stamps.

SCHEDULE A.—STAMP TAXES.

1. Bonds of indebtedness: On all bonds, debentures, or certificates of indetedness issued by any person, and all instruments, however termed, issued by any corporation with interest coupons or in registered form, known generally as corporate securities, on each $100 of face value or fraction thereof, 5 cents: *Provided*, That every renewal of the foregoing shall be taxed as a new issue: *Provided further*, That when a bond conditioned for the repayment or payment of money is given in a penal sum greater than the debt secured, the tax shall be based upon the amount secured.

2. Bonds, indemnity and surety: On all bonds executed for indemnifying any person who shall have become bound or engaged as surety, and on all bonds executed for the due execution or performance of any contract, obligation, or requirement, or the duties of any office or position, and to account for money received by virtue thereof, and on all other bonds of any description, made, issued, or executed, not otherwise provided for in this schedule, except fidelity and surety bonds taxable under subdivision (b) of section 503, and bonds required in legal proceedings, 50 cents.

3. Capital stock, issue: On each original issue, whether on organization or reorganization, of certificates of stock, or of profits, or of interest in property or accumulations, by any corporation, on each $100 of face value or fraction thereof, 5 cents: *Provided*, That where a certificate is issued without face value, the tax shall be 5 cents per share, unless the actual value is in excess of $100 per share, in which case the tax shall be 5 cents on each $100 of actual value or fraction thereof.

The stamps representing the tax imposed by this subdivision shall be attached to the stock book and not to the certificates issued.

4. Capital stock, sales or transfers: On all sales, or agreements to sell, or memoranda of sales or deliveries of, or transfers of legal title to shares or certificates of stock or of profits or of interest in property or accumulations in any corporation, or to rights to subscribe for or to receive such shares or certificates, whether made upon or shown by the books of the corporation, or by any assignment in blank, or by any delivery, or by any paper or agreement or memorandum or other evidence of transfer or sale, whether entitling the holder in any manner to the benefit of such stock, interest, or rights, or not, on each $100 of face value or fraction thereof, 2 cents, and where such shares are without par or face value, the tax shall be 2 cents on the transfer or sale or agreement to sell on each share, unless the actual value thereof is in excess of $100 per share, in which case the tax shall be 2 cents on each $100 of actual value or fraction thereof: *Provided*, That it is not intended by this title to impose a tax upon an agreement evidencing a deposit of certificates as collateral security for money loaned thereon, which certificates are not actually sold, nor upon the delivery or transfer for such purpose of certificates so deposited: *Provided further*, That the tax shall not be imposed upon deliveries or transfers to a broker for sale, nor upon deliveries or transfers by a broker to a customer for whom and upon whose order he has purchased same, but such deliveries or transfers shall be accompanied by a certificate setting forth the facts: *Provided further*, That in case of sale where the evidence of transfer is shown only by the books of the corporation the stamp shall be placed upon such books; and where the change of ownership is by transfer of the certificate the stamp shall be placed upon the certificate; and in cases of an agreement to sell or where the transfer is by delivery of the certificate assigned in blank there shall be made and delivered by the seller to the buyer a bill or memorandum of such sale, to which the stamp shall be affixed; and every bill or memorandum of sale or agreement to sell before mentioned shall show the date thereof, the name of the seller, the amount of the sale, and the matter or thing to which it refers. Any person liable to pay the tax as herein provided, or anyone who acts in the matter as agent or broker for such person, who makes any such sale, or who in pursuance of any such sale delivers any certificate or evidence of the sale of any stock, interest or right, or bill or memorandum thereof, as herein required, without having the proper stamps affixed thereto with intent to evade the foregoing provisions, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall pay a fine of not exceeding $1,000, or be imprisoned not more than six months, or both.

5. Produce, sales of, on exchange: Upon each sale, agreement of sale, or agreement to sell (not including so-called transferred or scratch sales), any products or merchandise at, or under the rules or usages of, any exchange, or board of trade, or other similar place, for future delivery, for each $100 in value of the merchandise covered by said sale or agreement of sale or agreement to sell, 2 cents, and for each additional $100 or fractional part thereof in excess of $100, 2 cents: *Provided*, That on every sale or agreement of sale or agreement to sell as aforesaid there shall be made and delivered by the seller to the buyer a bill, memorandum, agreement, or other evidence of such sale, agreement of sale, or agreement to sell, to which there shall be affixed a lawful stamp or stamps in value equal to the amount of the tax on such sale: *Provided further*, That sellers of commodities described herein, having paid the tax provided by this subdivision, may transfer such contracts to a clearing-house corporation or association, and such transfer shall not be deemed to be a sale, or agreement of sale, or an agreement to sell within the provisions of this act, provided that such transfer shall not vest any beneficial interest in such clearing-house association but shall be made for the sole purpose of enabling such clearing-house association to adjust and balance the accounts of the members of such clearing-house association on their several contracts. Every such bill, memorandum, or other evidence of sale or agreement to sell shall show the date thereof, the name of the seller, the amount of the sale, and the matter or thing to which it refers; and any person liable to pay the tax as herein provided, or anyone who acts in the matter as agent or broker for such person, who makes any such sale or agreement of sale, or agreement to sell, or who, in pursuance of any such sale, agreement of sale, or agreement to sell, delivers any such products or merchandise without a bill, memorandum, or other evidence thereof as herein required, or who delivers such bill, memorandum, or other evidence of sale, or agreement to sell, without having the proper stamps affixed thereto, with intent to evade the foregoing provisions, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall pay a fine of not exceeding $1,000 or be imprisoned not more than six months, or both.

No bill, memorandum, agreement, or other evidence of such sale, of agreement of sale, or agreement to sell, in case of cash sales or products or merchandise for immediate or prompt delivery which in good faith are actually intended to be delivered shall be subject to this tax.

6. Drafts or checks (payable otherwise than at sight or on demand) upon their acceptance or delivery within the United States, whichever is prior, promissory notes, except bank notes issued for circulation, and for each renewal of the same, for a sum not exceeding $100, 2 cents; and for each additional $100 or fractional part thereof, 2 cents.

This subdivision shall not apply to a promissory note secured by the pledge of bonds or obligations of the United States issued after April 24, 1917, or secured by the pledge of a promissory note which itself is secured by the pledge of such bonds or obligations: *Provided*, That in either case the par value of such bonds or obligations shall be not less than the amount of such note.

7. Conveyances: Deed, instrument, or writing whereby any lands, tenements, or other realty sold shall be granted, assigned, transferred, or otherwise conveyed to, or vested in, the purchaser or purchasers, or any other person or persons, by his, her, or their direction, when the consideration or value of the interest or property conveyed, exclusive of the value of any lien or encumbrance remaining thereon at the time of sale, exceeds $100 and does not exceed $500, 50 cents; and for each additional $500 or fractional part thereof, 50 cents. This subdivision shall not apply to any instrument or writing given to secure a debt.

8. Entry of any goods, wares, or merchandise at any customhouse, either for consumption or warehousing, not exceeding $100 in value, 25 cents; exceeding $100 and not exceeding $500 in value, 50 cents; exceeding $500 in value, $1.

9. Entry for the withdrawal of any goods or merchandise from customs bonded warehouse, 50 cents.

10. Passage ticket, one way or round trip, for each passenger, sold or issued in the United States for passage by any vessel to a port or place not in the United States, Canada, or Mexico, if costing not exceeding $30, $1; costing more than $30 and not exceeding $60, $3; costing more than $60, $5. This subdivision shall not apply to passage tickets costing $10 or less.

11. Proxy for voting at any election for officers, or meeting for the transaction of business, of any corporation, except religious, educational, charitable, fraternal, or literary societies, or public cemeteries, 10 cents.

12. Power of attorney granting authority to do or perform some act for or in behalf of the grantor, which authority is not otherwise vested in the grantee, 25 cents. This subdivision shall not apply to any papers necessary to be used for the collection of claims from the United States or from any State for pensions, back pay, bounty, or for property lost in the military or naval service, or to powers of attorney required in bankruptcy cases.

13. Playing cards: Upon every pack of playing cards containing not more than 54 cards, manufactured or imported, and sold, or removed for consumption or sale, a tax of 8 cents per pack.

14. Parcel-post packages: Upon every parcel or package transported from one point in the United States to another by parcel post on which the postage amounts to 25 cents or more, a tax of 1 cent for each 25 cents or fractional part thereof charged for such transportation, to be paid by the consignor.

No such parcel or package shall be transported until a stamp or stamps representing the tax due shall have been affixed thereto.

15. On each policy of insurance, or certificate, binder, coveri note, memorandum, cablegram, letter, or other instrument by whatever name called whereby insurance is made or renewed upon property within the United States (including rents and profits) against peril by sea or on inland waters or in transit on land (including transshipments and storage at termini or way points) or by fire, lightning, tornado, windstorm, bombardment, invasion, insurrection, or riot, issued to or for or in the name of a domestic corporation or partnership or an individual resident of the United States by any foreign corporation or partnership or any individual not a resident of the United States, when such policy or other instrument is not signed or countersigned by an officer or agent of the insurer in a State, Territory, or district of the United States within which such insurer is authorized to do business, a tax of 5 cents on each dollar, or fractional part thereof of the premium charged: *Provided*, That policies of reinsurance shall be exempt from the tax imposed by this subdivision.

Any person to or for whom or in whose name any such policy or other instrument is issued, or any solicitor or broker acting for or on behalf of such person in the procurement of any such policy or other instrument, shall affix the proper stamps to such policy or other instrument, and for failure to affix such stamps with intent to evade the tax shall, in addition to other penalties provided therefor, pay a fine of double the amount of the tax.

TITLE XII.—TAX ON EMPLOYMENT OF CHILD LABOR.

SEC. 1200. That every person (other than a bona fide boys' or girls' canning club recognized by the Agricultural Department of a State and of the United States) operating (a) any mine or quarry situated in the United States in which children under the age of 16 years have been employed or permitted to work during any portion of the taxable year; or (b) any mill, cannery, workshop, factory, or manufacturing establishment situated in the United States in which children under the age of 14 years have been employed or permitted to work, or children between the ages of 14 and 16 have been employed or permitted to work more than eight hours in any day or more than six days in any week, or after the hour of 7 o'clock p. m. or before the hour of 6 o'clock a. m., during any portion of the taxable year, shall pay for each taxable year, in addition to all other taxes imposed by law, an excise tax equivalent to 10 per cent of the entire net profits received or accrued for such year from the sale or disposition of the product of such mine, quarry, mill, cannery, workshop, factory, or manufacturing establishment.

SEC. 1201. That in computing net profits under the provisions of this title, for the purpose of the tax there shall be allowed as deductions from the gross amount received or accrued for the taxable year from the sale or disposition of such products manufactured within the United States the following items:

(a) The cost of raw materials entering into the production;

(b) Running expenses, including rentals, cost of repairs, and maintenance, heat, power, insurance, management, and a reasonable allowance for salaries or other compensations for personal services actually rendered, and for depreciation;

(c) Interest paid within the taxable year on debts or loans contracted to meet the needs of the business, and the proceeds of which have been actually used to meet such needs;

(d) Taxes of all kinds paid during the taxable year with respect to the business or property relating to the production; and

(e) Losses actually sustained within the taxable year in connection with the business of producing such products, including losses from fire, flood, storm, or other casualties, and not compensated for by insurance or otherwise.

SEC. 1202. That if any such person during any taxable year or part thereof, whether under any agreement, arrangement, or understanding, or otherwise, sells or disposes of any product of such mine, quarry, mill, cannery, workshop, factory, or manufacturing establishment at less than the fair market price obtainable therefor either (a) in such manner as directly or indirectly to benefit such person or any person directly or indirectly interested in the business of such person, or (b) with intent to cause such benefit, the gross amount received or accrued for such year or part thereof from the sale or disposition of such product shall be taken to be the amount which would have been received or accrued from the sale or disposition of such product if sold at the fair market price.

SEC. 1203. (a) That no person subject to the provisions of this title shall be liable for the tax herein imposed if the only employment or permission to work, which but for this section would subject him to the tax, has been of a child as to whom such person has in good faith procured at the time of employing such child or permitting him to work, and has since in good faith relied upon and kept on file a cer-

tificate, issued in such form, under such conditions and by such persons as may be prescribed by a board consisting of the Secretary, the commissioner, and the Secretary of Labor, showing the child to be of such age as not to subject such person to the tax imposed by this title. Any person who knowingly makes a false statement or presents false evidence in or in relation to any such certificate or application therefor shall be punished by a fine of not less than $100 nor more than $1,000, or by imprisonment for not more than three months, or by both such fine and imprisonment, in the discretion of the court.

In any State designated by such board an employment certificate or other similar paper as to the age of the child issued under the laws of that State and not inconsistent with the provisions of this title shall have the same force and effect as a certificate herein provided for.

(b) The tax imposed by this title shall not be imposed in the case of any person who proves to the satisfaction of the Secretary that the only employment or permission to work which but for this section would subject him to the tax has been of a child employed or permitted to work under a mistake of fact as to the age of such child, and without intention to evade the tax.

SEC. 1204. That on or before the 1st day of the third month following the close of each taxable year a true and accurate return under oath shall be made by each person subject to the provisions of this title to the collector for the district in which such person has his principal office or place of business in such form as the commissioner, with the approval of the Secretary, shall prescribe, setting forth specifically the gross amount of income received or accrued during such year from the sale or disposition of the product of any mine, quarry, mill, cannery, workshop, factory, or manufacturing establishment in which children have been employed subjecting him to the tax imposed by this title and from the total thereof deducting the aggregate items of allowance authorized by this title, and such other particulars as to the gross receipts and items of allowance as the commissioner, with the approval of the Secretary, may require.

SEC. 1205. That all such returns shall be transmitted forthwith by the collector to the commissioner, who shall, as soon as practicable, assess the tax found due and notify the person making such return of the amount of tax for which such person is liable, and such person shall pay the tax to the collector on or before 30 days from the date of such notice.

SEC. 1206. That for the purposes of this act the commissioner, or any other person duly authorized by him, shall have authority to enter and inspect at any time any mine, quarry, mill, cannery, workshop, factory, or manufacturing establishment. The Secretary of Labor, or any person duly authorized by him, shall, for the purpose of complying with a request of the commissioner to make such an inspection, have like authority, and shall make report to the commissioner of inspections made under such authority in such form as may be prescribed by the commissioner, with the approval of the Secretary of the Treasury.

Any person who refuses or obstructs entry or inspection authorized by this section shall be punished by a fine of not more than $1,000, or by imprisonment for not more than one year, or both such fine and imprisonment.

SEC. 1207. That as used in this title the term "taxable year" shall have the same meaning as provided for the purposes of income tax in section 200. The first taxable year for the purposes of this title shall be the period between 60 days after the passage of this act and December 31, 1919, both inclusive, or such portion of such period as is included within the fiscal year (as defined in section 200) of the taxpayer.

TITLE XIII.—GENERAL ADMINISTRATIVE PROVISIONS.

SEC. 1300. That hereafter the salary of the commissioner shall be $10,000 a year. The difference between the amount appropriated under existing law and the salary herein established shall, for the period between the passage of this act and July 1, 1919, be paid out of the appropriations for collecting internal revenue.

SEC. 1301. (a) That hereafter there may be employed in the Bureau of Internal Revenue, in lieu of the deputy commissioners whose salaries are now fixed by law, five deputy commissioners and an assistant to the commissioner, who shall each receive a salary of $5,000 a year, payable monthly. The assistant to the commissioner may be authorized by the commissioner to perform any duties which the deputy commissioners may perform under existing law.

(b) The salaries of collectors may be readjusted and increased under such regulations as may be prescribed by the commissioner, subject to the approval of the Secretary, but no collector shall receive a salary in excess of $6,000 a year.

(c) There is hereby appropriated, out of any money in the Treasury not otherwise appropriated, for the fiscal year ending June 30, 1919, the sum of $7,500,000 for the expenses of assessing and collecting the internal-revenue taxes as provided in this act, including the employment of necessary officers, attorneys, experts, agents, inspectors, deputy collectors, clerks, janitors, and messengers, in the District of Columbia and the several collection districts, to be appointed as provided by law, telegraph and telephone service, rental and repair of quarters, postage, and the purchase of such supplies, equipment, furniture, mechanical devices, printing, stationery, law books and books of reference, not to exceed $500 for street car fares in the District of Columbia, and such other articles as may be necessary for use in the District of Columbia and the several collection districts: *Provided*, That not more than $2,750,000 of the total amount appropriated by this section may be expended in the Bureau of Internal Revenue, in the District of Columbia: *Provided further*, That not more than $60,000 of the total amount appropriated by this section may be expended for salaries and traveling expenses of members of an "advisory-tax board" to be appointed by the commissioner, with the approval of the Secretary. Under rules and regulations prescribed by the commissioner, with the approval of the Secretary, the secretary of the commissioner may, and on the request of any taxpayer directly interested shall, submit to the board any question relating to the interpretation or administration of the internal-revenue laws. Such board shall have the power to summon witnesses, to take testimony, administer oaths, and require any person to produce books, papers, documents, or other papers relating to any matter under investigation by the board. Such board may be continued for two years.

SEC. 1302. That all internal-revenue agents and inspectors shall be granted leave of absence with pay, which shall not be cumulative, not to exceed 30 days in any calendar year, under such regulations as the commissioner, with the approval of the Secretary, may prescribe.

SEC. 1303. (a) That there is hereby created a legislative drafting service under the direction of two draftsmen, one of whom shall be appointed by the President of the Senate, and one by the Speaker of the House of Representatives, without reference to political affiliations and solely on the ground of fitness to perform the duties of the office. Each draftsman shall receive a salary of $5,000 a year, payable monthly. The draftsmen shall, subject to the approval of the President of the Senate and the Speaker of the House of Representatives, employ and fix the compensation of such assistant draftsmen, clerks, and other employees, and purchase such furniture, office equipment, books, stationery, and other supplies, as may be necessary for the proper performance of the duties of the service and as may be appropriated for by Congress.

(b) The drafting service shall aid in drafting public bills and resolutions or amendments thereto on the request of any committee of either House of Congress, but the Library Committee of the Senate and the Library Committee of the House of Representatives, respectively, may determine the preference, if any, to be given to such requests of the committees of either House, respectively. The draftsmen shall, from time to time, prescribe rules and regulations for the conduct of the work of the service for the committees of each House, subject to the approval of the Library Committee of each House, respectively.

(c) For the remainder of the current fiscal year there is hereby appropriated, out of any money in the Treasury not otherwise appropriated, the sum of $25,000, or so much thereof as may be necessary, for the purpose of defraying the expenses of the establishment and maintenance of the service, including the payment of salaries herein authorized. One-half of all appropriations for the service shall be disbursed by the Secretary of the Senate and one-half by the Clerk of the House of Representatives.

SEC. 1304. That there shall be levied, collected, and paid in the United States, upon articles coming into the United States from the Virgin Islands, a tax equal to the internal-revenue tax imposed in the United States upon like articles of domestic manufacture; such articles shipped from such islands to the United States shall be exempt from the payment of any tax imposed by the internal-revenue laws of such islands: *Provided*, That there shall be levied, collected, and paid in such islands, upon articles imported from the United States, a tax equal to the internal-revenue tax imposed in such islands upon like articles there manufactured; and such articles going into such islands from the United States shall be exempt from payment of any tax imposed by the internal-revenue laws of the United States.

SEC. 1305. That all administrative, special, or stamp provisions of law, including the law relating to the assessment of taxes, so far as applicable, are hereby extended to and made a part of this act, and every person liable to any tax imposed by this act, or for the collection thereof, shall keep such records and render, under oath, such statements and returns, and shall comply with such regulations as the commissioner, with the approval of the Secretary, may from time to time prescribe.

The commissioner, with the approval of the Secretary, may require any person, whether liable to tax or not, to file returns of income or such statements as may be deemed by him to be sufficient to show whether or not such person is so liable.

The commissioner, for the purpose of ascertaining the correctness of any return or for the purpose of making a return where none has been made, is hereby authorized, by any revenue agent or inspector designated by him for that purpose, to examine any books, papers, records, or memoranda bearing upon the matters required to be included in the return, and may require the attendance of the person rendering the return or of any officer or employee of such person, or the attendance of any other person having knowledge in the premises, and may take his testimony with reference to the matter required by law to be included in such return, with power to administer oaths to such person or persons.

SEC. 1306. That where floor taxes are imposed by this act in respect to articles or commodities, in respect to which the tax imposed by existing law has been paid, the person required by this act to pay the tax shall, within 30 days after its passage, make return under oath in such form and under such regulations as the commissioner, with the approval of the Secretary, shall prescribe. Payment of the tax shown to be due may be extended to a date not exceeding seven months from the passage of this act, upon the filing of a bond for payment in such form and amount and with such sureties as the commissioner, with the approval of the Secretary, may prescribe.

SEC. 1307. That in all cases where the method of collecting the tax imposed by this act is not specifically provided in this act, the tax shall be collected in such manner as the commissioner, with the approval of the Secretary, may prescribe. All administrative and penalty provisions of Title XI of this act, in so far as applicable, shall apply to the collection of any tax which the commissioner determines or prescribes shall be paid by stamp.

SEC. 1308. (a) That any person required under Titles V, VI, VII, VIII, IX, X, or XII, to pay, or to collect, account for, and pay over any tax, or required by law or regulations made under authority thereof to make a return or supply any information for the purposes of the computation, assessment, or collection of any such tax, who fails to pay, collect, or truly account for and pay over any such tax, make any such return or supply any such information at the time or times required by law or regulation shall in addition to other penalties provided by law be subject to a penalty of not more than $1,000.

(b) Any person who willfully refuses to pay, collect, or truly account for and pay over any such tax, make such return or supply such information at the time or times required by law or regulation, or who willfully attempts in any manner to evade such tax shall be guilty of a misdemeanor and in addition to other penalties provided by law shall be fined not more than $10,000 or imprisoned for not more than one year, or both, together with the costs of prosecution.

(c) Any person who willfully refuses to pay, collect, or truly account for and pay over any such tax shall in addition to other penalties provided by law be liable to a penalty of the amount of the tax evaded, or not paid, collected, or accounted for and paid over, to be assessed and collected in the same manner as taxes are assessed and collected: *Provided, however*, That no penalty shall be assessed under this subdivision for any offense for which a penalty may be assessed under authority of section 3176 of the Revised Statutes, as amended, or of section 605 or 620 of this act, or for any offense for which a penalty has been recovered under section 3256 of the Revised Statutes.

(d) The term "person" as used in this section includes an officer or employee of a corporation or a member or employee of a partnership, who as such officer, employee, or member is under a duty to perform the act in respect of which the violation occurs.

SEC. 1309. That the commissioner, with the approval of the secretary, is hereby authorized to make all needful rules and regulations for the enforcement of the provisions of this act.

The commissioner with such approval may by regulation provide that any return required by Titles V, VI, VII, VIII, IX, or X to be under oath may, if the amount of the tax covered thereby is not in excess of $10, be signed or acknowledged before two witnesses instead of under oath.

SEC. 1310. (a) That in the case of any overpayment or overcollection of any tax imposed by section 628 or 630 or by Title V, Title VIII, or Title IX, the person making such overpayment or overcollection may take credit therefor against taxes due upon any monthly return, and shall make refund of any excessive amount collected by him upon proper application by the person entitled thereto.

(b) Wherever in this act a tax is required to be paid by the purchaser to the vendor at the time of a sale, and such sale is made on credit, then, under regulations prescribed by the commissioner, with the approval of the secretary, the tax may, at the option of the vendor, be returned and paid by him to the United States as if paid to him by the purchaser at the time of the sale, and in such case the vendor shall have a right of action in any court of competent jurisdiction against the purchaser for the amount of the tax so returned and paid to the United States.

SEC. 1311. That where the rate of tax imposed by this act, payable by stamps, is an increase over previously existing rates, stamps on hand in the collectors' offices and in the Bureau of Internal Revenue may continue to be used until the supply on hand is exhausted, but shall be sold and accounted for at the rates provided by this act, and assessment shall be made against manufacturers and other taxpayers having such stamps on hand on the day this act takes effect for the difference between the amount paid for such stamps and the tax due at the rates provided by this act.

SEC. 1312. (1) That (a) if any person has prior to May 9, 1917, made a bona fide contract with a dealer for the sale or lease, after the tax takes effect, of any article in respect to which a tax is imposed under Titles VI, VII, or IX, or under subdivision 13 of Schedule A of Title XI, or under this subdivision, and (b) if such contract does not permit the adding of the whole of such tax to the amount to be paid under such contract, then the vendee or lessee shall, in lieu of the vendor or lessor, pay so much of such tax as is not so permitted to be added to the contract price. If a contract of the character above described was made with any person other than a dealer, the tax collected under this act shall be the tax in force on May 9, 1917.

(2) If (a) any person has prior to September 3, 1918, made a bona fide contract with a dealer for the sale or lease, after the tax takes effect, of any article in respect to which a tax is imposed under Titles VI, VII, or IX, or under subdivision 13 of Schedule A of Title XI, or under this subdivision, and in respect to which no corresponding tax was imposed by the revenue act of 1917, and (b) such contract does not permit the adding, to the amount to be paid under such contract, of the whole of the tax imposed by this act, then the vendee or lessee shall, in lieu of the vendor or lessor, pay so much of the tax imposed by this act, as is not so permitted to be added to the contract price. If a contract of the character above described was made with any person other than a dealer, no tax shall be collected under this act.

(3) If (a) any person has prior to September 3, 1918, made a bona fide contract with a dealer for the sale or lease, after the tax takes effect, of any article in respect to which a tax is imposed under Titles VI, VII, or IX, or under subdivision 13 of Schedule A of Title XI, or under this subdivision, and in respect to which a corresponding tax was imposed by the revenue act of 1917, and (b) such contract does not permit the adding, to the amount to be paid under such contract, of the whole of the difference between such tax and corresponding tax imposed by the revenue act of 1917, then the vendee or lessee shall, in lieu of the vendor or lessor, pay so much of such difference as is not so permitted to be added to the contract price. If a contract of the character above described was made with any person other than a dealer, the tax collected under this act shall be the tax in force on September 3, 1918.

(4) The taxes payable by the vendee or lessee under this section shall be paid to the vendor or lessor at the time the sale or lease is consummated, and collected, returned, and paid to the United States by such vendor or lessor in the same manner as provided in section 502.

(5) The term "dealer" as used in this section includes a vendee who purchases any article with intent to use it in the manufacture or production of another article intended for sale.

SEC. 1313. That in the payment of any tax under this act not payable by stamp a fractional part of a cent shall be disregarded unless it amounts to one-half cent or more, in which case it shall be increased to 1 cent.

SEC 1314. That collectors may receive, at par with an adjustment for accrued interest, certificates of indebtedness issued by the United States and uncertified checks in payment of income, war-profits, and excess-profits taxes, and any other taxes payable other than by stamp, during such time and under such regulations as the commissioner, with the approval of the Secretary, shall prescribe; but if a check so received is not paid by the bank on which it is drawn the person by whom such check has been tendered shall remain liable for the payment of the tax and for all legal penalties and additions the same as if such check had not been tendered.

SEC. 1315. That section 3315 of the Revised Statutes, as amended, is hereby amended to read as follows:

"SEC. 3315. The Commissioner of Internal Revenue may, under regulations prescribed by him with the approval of the Secretary of the Treasury, issue stamps for restamping packages of distilled spirits, tobacco, cigars, snuff, cigarettes, fermented liquors, and wines which have been duly stamped but from which the stamps have been lost or destroyed by unavoidable accident."

SEC. 1316. (a) That section 3220 of the Revised Statutes is hereby amended to read as follows:

"SEC. 3220. The Commissioner of Internal Revenue, subject to regulations prescribed by the Secretary of the Treasury, is authorized to remit, refund, and pay back all taxes erroneously or illegally assessed or collected, all penalties collected without authority, and all taxes that appear to be unjustly assessed or excessive in amount, or in any manner wrongfully collected; also to repay to any collector or deputy collector the full amount of such sums of money as may be recovered against him in any court, for any internal revenue taxes collected by him, with the cost and expenses of suit; also all damages and costs recovered against any assessor, assistant assessor, collector, deputy collector, agent, or inpector, in any suit brought against him by reason of anything done in the due performance of his official duty, and shall make report to Congress at the beginning of each regular session of Congress of all transactions under this section."

(b) Section 3225 of the Revised Statutes of the United States is hereby amended to read as follows:

"SEC. 3225. When a second assessment is made in case of any list, statement, or return, which in the opinion of the collector or deputy collector was false or fraudulent, or contained any understatement or undervaluation, such assessment shall not be remitted, nor shall taxes collected under such assessment be refunded, or paid back, or recovered by any suit, unless it is proved that such list, statement, or return was not willfully false or fraudulent and did not contain any willful understatement or undervaluation."

(c) That the paragraph of section 3689 of the Revised Statutes, as amended, reading as follows:

"Refunding taxes illegally collected (internal revenue): To refund and pay back duties erroneously or illegally assessed or collected under the internal-revenue laws," is hereby amended to read as follows:

"To refund and pay back duties or taxes erroneously or illegally assessed or collected under the internal-revenue laws, and to pay judgments, including interest and costs, rendered for taxes or penalties erroneously or illegally assessed or collected under the internal-revenue laws, notwithstanding any limitations imposed by the act of June 20, 1874."

SEC. 1317. That sections 3164, 3165, 3167, 3172, 3173, and 3176 of the Revised Statutes as amended are hereby amended to read as follows:

"SEC. 3164. It shall be the duty of every collector of internal revenue having knowledge of any willful violation of any law of the United States relating to the revenue, within 30 days after coming into possession of such knowledge, to file with the district attorney of the district in which any fine, penalty, or forfeiture may be incurred, a statement of all the facts and circumstances of the case within his knowledge, together with the names of the witnesses, setting forth the provisions of law believed to be so violated on which reliance may be had for condemnation or conviction.

"SEC. 3165. Every collector, deputy collector, internal-revenue agent, and internal-revenue officer assigned to duty under an internal-revenue agent, is authorized to administer oaths and to take evidence touching any part of the administration of the internal-revenue laws with which he is charged, or where such oaths and evidence are authorized by law or regulation authorized by law to be taken.

"SEC. 3167. It shall be unlawful for any collector, deputy collector, agent, clerk, or other officer or employee of the United States to divulge or to make known in any manner whatever not provided by law to any person the operations, style of work, or apparatus of any manufacturer or producer visited by him in the discharge of his official duties, or the amount or source of income, profits, losses, expenditures, or any particular thereof, set forth or disclosed in any income return, or to permit any income return or copy thereof or any book containing any abstract or particulars thereof to be seen or examined by any person except as provided by law; and it shall be unlawful for any person to print or publish in any manner whatever not provided by law any income return, or any part thereof or source of income, profits, losses, or expenditures appearing in any income return; and any offense against the foregoing provision shall be a misdemeanor and be punished by a fine not exceeding $1,000 or by imprisonment not exceeding one year, or both, at the discretion of the court; and if the offender be an officer or employee of the United States he shall be dismissed from office or discharged from employment.

"SEC. 3172. Every collector shall, from time to time, cause his deputies to proceed through every part of his district and inquire after and concerning all persons therein who are liable to pay any internal-revenue tax, and all persons owning or having the care and management of any objects liable to pay any tax, and to make a list of such persons and enumerate said objects.

"SEC. 3173. It shall be the duty of any person, partnership, firm, association, or corporation, made liable to any duty, special tax, or other tax imposed by law, when not otherwise provided for, (1) in case of a special tax, on or before the 31st day of July in each year, and (2) in other cases before the day on which the taxes accrue, to make a list or return, verified by oath, to the collector or a deputy collector of the district where located, of the articles or objects, including the quantity of goods, wares, and merchandise, made or sold and charged with a tax, the several rates and aggregate amount, according to the forms and regulations to be prescribed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, for which such person, partnership, firm, association, or corporation is liable: *Provided*, That if any person liable to pay any duty or tax, or owning, possessing, or having the care or management of property, goods, wares, and merchandise, article or objects liable to pay any duty, tax, or license, shall fail to make and exhibit a list or return required by law, but shall consent to disclose the particulars of any and all the property, goods, wares, and merchandise, articles, and objects liable to pay any duty or tax, or any business or occupation liable to pay any tax as aforesaid, then, and in that case, it shall be the duty of the collector or deputy collector to make such list or return, which, being distinctly read, consented to, and signed and verified by oath by the person so owning, possessing, or having the care and management as aforesaid, may be received as the list of such person: *Provided further*, That in case no annual list or return has been rendered by such person to the collector or deputy collector as required by law, and the person shall be absent from his or her residence or place of business at the time the collector or a deputy collector shall call for the annual list or return, it shall be the duty of such collector or deputy collector to leave at such place of residence or business, with some one of suitable age and discretion, if such be present, otherwise to deposit in the nearest post office, a note or memorandum addressed to such person, requiring him or her to render to such collector or deputy collector the list or return required by law within 10 days from the date of such note or memorandum, verified by oath. And if any person, on being notified or required as aforesaid, shall refuse or neglect to render such list or return within the time required as aforesaid, or whenever any person who is required to deliver a monthly or other return of objects subject to tax fails to do so at the time required, or delivers any return which, in the opinion of the collector, is erroneous, false, or fraudulent, or contains any undervaluation or understatement, or refuses to allow any regularly authorized Government officer to examine the books of such person, firm, or corporation, it shall be lawful for the collector to summon such person, or any other person having possession, custody, or care of books of account containing entries relating to the business of such person or any other person he may deem proper, to appear before him and produce such books at a time and place named in the summons, and to give testimony or answer interrogatories, under oath, respecting any objects or income liable to tax or the returns thereof. The collector may summon any person residing or found within the State or Territory in which his district lies; and when the person intended to be summoned does not reside and can not be found within such State or Territory, he may enter any collection district where such person may be found and there make the examination herein authorized. And to this end he may there exercise all the authority which he might law-

fully exercise in the district for which he was commissioned: *Provided*, That 'person,' as used in this section, shall be construed to include any corporation, joint-stock company or association, or insurance company when such construction is necessary to carry out its provisions.

"SEC. 3176. If any person, corporation, company, or association fails to make and file a return or list at the time prescribed by law or by regulation made under authority of law, or makes, willfully or otherwise, a false or fraudulent return or list, the collector or deputy collector shall make the return or list from his own knowledge and from such information as he can obtain through testimony or otherwise. In any such case the commissioner may, from his own knowledge and from such information as he can obtain through testimony or otherwise, make a return or amend any return made by a collector or deputy collector. Any return or list so made and subscribed by the commissioner, or by a collector or deputy collector and approved by the commissioner, shall be prima facie good and sufficient for all legal purposes.

"If the failure to file a return or list is due to sickness or absence, the collector may allow such further time, not exceeding 30 days, for making and filing the return or list as he deems proper.

"The Commissioner of Internal Revenue shall determine and assess all taxes, other than stamp taxes, as to which returns or lists are so made under the provisions of this section. In case of any failure to make and file a return or list within the time prescribed by law, or prescribed by the Commissioner of Internal Revenue or the collector in pursuance of law, the Commissioner of Internal Revenue shall add to the tax 25 per cent of its amount, except that when a return is filed after such time and it is shown that the failure to file it was due to a reasonable cause and not to willful neglect, no such addition shall be made to the tax. In case a false or fraudulent return or list is willfully made, the Commissioner of Internal Revenue shall add to the tax 50 per cent of its amount.

"The amount so added to any tax shall be collected at the same time and in the same manner and as part of the tax unless the tax has been paid before the discovery of the neglect, falsity, or fraud, in which case the amount so added shall be collected in the same manner as the tax."

SEC. 1318. That if any person is summoned under this act to appear, to testify, or to produce books, papers, or other data, the district court of the United States for the district in which such person resides shall have jurisdiction by appropriate process to compel such attendance, testimony, or production of books, papers, or other data.

The district courts of the United States are hereby invested with such jurisdiction to make and issue, both in actions at law and suits in equity, writs and orders of injunction, and of ne exeat republica, orders appointing receivers, and such other orders and process, and to render such judgments and decrees, granting in proper cases both legal and equitable relief together, as may be necessary or appropriate for the enforcement of the provisions of this act. The remedies hereby provided are in addition to and not exclusive of any and all other remedies of the United States in such courts or otherwise to enforce such provisions.

SEC. 1319. That whoever in connection with the sale or lease, or offer for sale or lease, of any article, or for the purpose of making such sale or lease, makes any statement, written or oral, (1) intended or calculated to lead any person to believe that any part of the price at which such article is sold or leased, or offered for sale or lease, consists of a tax imposed under the authority of the United States, or (2) ascribing a particular part of such price to a tax imposed under the authority of the United States, knowing that such statement is false or that the tax is not so great as the portion of such price ascribed to such tax, shall be guilty of a misdemeanor and upon conviction thereof shall be fined not more than $1,000 or by imprisonment not exceeding one year, or both.

SEC. 1320. That wherever by the laws of the United States or regulations made pursuant thereto any person is required to furnish surety or sureties on any bond, such person may, in lieu of surety or sureties, and under regulations prescribed by the Secretary, deposit with the United States an amount of bonds of the United States issued after April 24, 1917, equal to the amount of such bond, together with an agreement authorizing the United States to sell such bonds in case of any default in payment of the bond. In the discretion of the official having authority to approve the bond, such bonds may be deposited with a Subtreasury, Government depository, Federal reserve bank or member bank, which shall issue its receipt therefor, describing the bonds deposited. As soon as the bond becomes void and of no effect such bonds shall be returned to the depositor.

TITLE XIV.—GENERAL PROVISIONS.

SEC. 1400. (a) That the following parts of acts are hereby repealed, subject to the limitations provided in subdivision (b):

(1) The following titles of the revenue act of 1916:

Title I (called "Income tax").
Title II (called "Estate tax").
Title III (called "Munitions manufacturers' tax"), as amended.
Title IV (called "Miscellaneous taxes").

(2) The following parts of the act entitled "An act to provide increased revenue to defray the expenses of the increased appropriations for the Army and Navy and the extensions of fortifications, and for other purposes," approved March 3, 1917:

Title III (called "Estate tax").
Section 402 (called "Returns of dividends").

(3) The following titles of the revenue act of 1917:

Title I (called "War income tax").
Title II (called "War excess-profits tax").
Title III (called "War Tax on Beverages");
Title IV (called "War Tax on Cigars, Tobacco, and Manufactures Thereof");
Title V (called "War Tax on Facilities Furnished by Public Utilities, and Insurance");
Title VI (called "War Excise Taxes");
Title VII (called "War Tax on Admissions and Dues");
Title VIII (called "War Stamp Taxes");
Title IX (called "War Estate Tax");
Title X (called "Administrative Provisions");
Title XII (called "Income-Tax Amendments").

(*b*) Such parts of acts shall remain in force for the assessment and collection of all taxes which have accrued thereunder, and for the imposition and collection of all penalties or forfeitures which have accrued and may accrue in relation to any such taxes, and except that the unexpended balance of any appropriation heretofore made and now available for the administration of any such part of an Act shall be available for the administration of this act or the corresponding provision thereof: *Provided*, That, except as otherwise provided in this Act, no taxes shall be collected under Title I of the revenue act of 1916 as amended by the revenue act of 1917, or Title I or II of the revenue act of 1917, in respect to any period after December 31, 1917: *Provided further*, That the assessment and the collection of all estate taxes by the United States or by the collector from the executor of the decedent or out of the property of the decedent, and the imposition and collection of all penalties or forfeitures, which have accrued under Title II of the revenue act of 1916 as amended by the act entitled "An act to provide increased revenue to defray the expenses of the increased appropriations for the Army and Navy and the extensions of fortifications, and for other purposes," approved March 3, 1917, or Title IX of the revenue act of 1917, shall be according to the provisions of Title IV of this act.

In the case of any tax imposed by any part of an act herein repealed, if there is a tax imposed by this act in lieu thereof, the provision imposing such tax shall remain in force until the corresponding tax under this act takes effect under the provisions of this act.

Title I of the revenue act of 1916 as amended by the revenue act of 1917 shall remain in force for the assessment and collection of the income tax in Porto Rico and the Philippine Islands, except as may be otherwise provided by their respective legislatures.

SEC. 1401. That section 1100 of the revenue act of 1917 is hereby repealed, to take effect on July 1, 1919, and thereafter the rate of postage on all mail matter of the first class shall be the same as the rate in force on October 2, 1917: *Provided*, That letters written and mailed by soldiers, sailors, and marines assigned to duty in a foreign country engaged in the present war may be mailed free of postage, subject to such rules and regulations as may be prescribed by the Postmaster General.

Section 1107 of such act is hereby repealed, to take effect July 11, 1919. Except as modified by this act, all of the provisions of Title XI of the revenue act of 1917 shall remain in force.

(*c*) This section shall take effect July 1, 1919.

SEC. 1403. That if any clause, sentence, paragraph, or part of this act shall for any reason be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of this act, but shall be confined in its operation to the clause, sentence, paragraph, or part thereof directly involved in the controversy in which such judgment has been rendered.

SEC. 1404. That the revenue act of 1916 is hereby amended by adding at the end thereof a section to read as follows:

"SEC. 903. That this act may be cited as the 'Revenue act of 1916.'"

SEC. 1405. That the revenue act of 1917 is hereby amended by adding at the end thereof a section to read as follows:

"SEC. 1303. That this act may be cited as the 'Revenue act of 1917.'"

SEC. 1406. That this act may be cited as the "Revenue act of 1918."

SEC. 1407. That unless otherwise herein specially provided this act shall take effect on the day following its passage.

Mr. LA FOLLETTE. Mr. President, there are two objections to the pending bill:

First. It does not raise enough revenue.

Second. It does not distribute the tax burden fairly.

I do not intend in the present discussion to repeat the argument which I submitted to the Senate in support of a wise and just policy of war finance when the last revenue bill was before this body in 1917. It is enough to say that substantially all economists agree that war should be financed solely by taxation, never by loans.

It is no answer to the soundness of their reasoning to assert that wars generally have been financed more largely by borrowing than by taxation. It is true, Mr. President, that wealth, which has had much to do with bringing on all wars, is potential enough to control the legislation that shall finance wars.

It has been well said, sir, by the great body of economists of the United States—representing practically every great university and college under our flag, in a petition signed by more than 300 of those leading economists, submitted to the Congress that—

> The policy of borrowing within the country itself does not shift any part of the Nation's burden of war expenditures from the present to the future. All it does is to make possible a different distribution of the burden among individuals and social classes, to permit repayment to certain persons who have contributed income during the war by other persons after the war.
>
> The policy of taxation for war expenditures is demanded by justice. Apart from the injustice arising from price inflation (resulting from large Government loans), the policy of paying for the war by bond issues gives property a preference over life; it deals unjustly as between citizen and citizens.
>
> The question of taxation versus bonds is not merely one of economics; it is one of morals, of right against wrong.

Wealth, which profits out of war, has had no time, sir, for the consideration of scientific government finance, which from Adam Smith down through all the great students of that great science to the leading men of our own time lays down as a sound, as a just, proposition to begin with, that all wars should be paid for as you go by taxing wealth, rather than by selling bonds and levying upon the labor of the future to pay the interest and the principal of the bonds; and, second, that the expenditures of war should be paid for as you go as a sound, business, financial proposition for the Government itself. And that, sir, is confirmed by all history.

Returning to the point from which I digressed, from this petition:

> The citizen who contributes even his entire income, beyond what is necessary to subsistence itself, does less than the citizen who contributes himself to the nation.

But, Mr. President, while I do not purpose to reargue that issue at this time I must here and now, and shall at all times, maintain that the cost of this war and the cost of all wars

should be paid wholly or in the larger part by taxation and that bond issues should be held down to the lowest possible minimum. This is required by the principles which should govern the just distribution of the burdens of war and is demanded as a wise and sound policy of Government finance in time of war.

EXCESSIVE BOND ISSUES BEAR HEAVILY ON PEOPLE.

I am not going to follow, Mr. President, now as I did when the tax bill of 1917 was pending before this body, step by step, the history of the financing of various wars in which the United States has been engaged. It was futile then so far as votes in the Senate were concerned, and I understand perfectly well that it would be futile now. I demonstrated then the peril of raising the money to finance the war by bond issues. You may get along with that policy all right at the time. But if you do succeed in conducting the war on the credit plan the trouble is sure to come later. As a result of pursuing the same policy that we are pursuing now in financing this war we narrowly escaped financial collapse in previous wars of this country, the War of 1812, the war of 1846, and the war of 1861, the expenditures of which were but a pittance compared with those with which we are dealing now.

I am not going to reargue that question. The Senate considered it at that time. I plead with you then to inaugurate the right kind of a plan of taxation at the beginning of this war, knowing full well, if we started out on a policy of taxing too little and borrowing too much, that it would be carried on throughout the war.

Anything that I said at that time did not prevail; anything that I say now I have no expectation will prevail with the Senate. But, sir, it has been the political and the public-service policy of my life to pursue principle, regardless of results; and when I put my hand to the plow I go straight through to the end of the furrow.

We tiptoe around this question of taxing incomes. I do not know as to the mail of other Senators at the present time, but I know that my own mail daily, many times a day, comes to the office loaded with appeals from the families of soldiers who are suffering because the allowances and the insurance have not been paid. Sir, when imposing these taxes upon incomes and war profits we ought to remember that the family that gives up the father and the sons at the call of the Government gives up absolutely all it has, gives up not only its income-producing power, but in giving up the father and the sons it gives up its capital as well as its income-producing power. And yet you balk at taking less in income taxes than is imposed upon incomes in Great Britain, except in the case of the incomes of the few very rich. These are not taxed as high in England, for the very rich made the income tax of Great Britain.

Commenting on the narrow escape from financial disaster which we experienced as a result of the mistaken policy pursued in financing the Civil War, Prof. Henry C. Adams, in his excellent work on Public Debt, says:

> An adequate policy for the management of war finances is a tax policy, assisted by credits, rather than a credit policy assisted by taxation.

When the revenue bill of 1917 was before the Senate I pointed out that the revenue act of that year was wholly insufficient to meet the requirements of the Government for the taxable year and that the only result of adopting the measure would be one bond sale after another by the Government, with all of the hardships resulting to the people from the vastly increased cost of living, as well as the danger in which it would ultimately involve our entire financial system. It is in no captious spirit that I refer to this matter. I make reference to it at all only to show that had the arguments been heeded which were then urged by the minority we would have laid the foundation for a just plan of taxation and one which would prove a protection and a safeguard to us in the great financial stress we are sure to encounter when the period of readjustment and depression incident to the waste and destruction of this war comes upon us finally.

LARGE EXPENDITURES SHOULD HAVE BEEN FORESEEN.

The inadequacy of the present revenue act is attempted to be excused at this time on the ground that unforeseen contingencies caused greater expenditures than were anticipated, and that, while the rates of taxation in the law of 1917 were justified by the then known facts, experience has shown that money enough was not raised.

I know of nothing which has occurred since the revenue act of last year was framed and passed which should not have been foreseen, and nothing whereby the expenses of the Government were increased over the amount which it should have been reasonably expected we would have to meet. We then stood pledged "to our last dollar and our last man" to win the war. We then expected a war longer by at least a year than it has proved to be. Our list of casualties and wounded is truly appalling, but that must have been expected when we entered upon the war. There was never any limit placed upon the number of men or the quantity of munitions we would send to Europe, and the amount of money we would loan to the allies was measured by necessity only. We were to loan the money necessary and send the men and munitions necessary to win the war. That was what every Senator looked forward to, and every Senator knows that by the unexpected breaking of the German war machine we have come out of the war at least a year earlier than we at that time had reason to expect, with the consequent saving of billions of dollars.

No, Mr. President; we can not excuse the now admitted inadequacies of the last revenue act on the ground that we have had to meet unexpected expenses. The fact is that the act of 1917 failed to properly tax war profits and excessive incomes, and subsequent events have only proven what we then knew or should have known.

At the time we framed the revenue bill of 1917 the facts were before us, or could have been obtained, by which the expenditures of the Government for the then taxable year could have at least been approximated with reasonable certainty and something at least approaching a proper rate of taxation could have been adopted.

It will be recalled, without my going into the figures in detail, that when in August of last year the revenue bill was reported to the Senate it was accompanied by a report from the Committee on Finance estimating the expenditures for the fiscal year 1918 at $5,693,000,000, and estimating receipts from various sources at amounts which left additional revenue necessary to be raised by taxation or a further bond issue at $1,943,458,000, and it was further estimated that the bill would produce something over $2,000,000,000.

In the minority report presented at that time these figures and estimates were controverted, and in that report it was said:

> At the very least our people must raise in excess of $13,000,000,000 to be expended in the present fiscal year, even if the war should stop then.

That statement is verified by the report of the Secretary of the Treasury for 1918. That report states that the expenditures on account of war for the fiscal year ending June 30, 1918, were $13,196,071,287.40. As I understand it, between four and five billion of this amount is represented in loans to the allies. But in the meantime another half year has passed, with expenses mounting at the rate of a billion or more a month, and we are now face to face with the difficulty involved in raising the money to finance the Government for another year.

How are we to meet this situation?

The Secretary of the Treasury informed us when before the Finance Committee that our people have already subscribed for bonds aggregating $17,968,340,000, as follows:

First loan	$2,000,000,000
Second loan	3,808,776,150
Third loan	4,176,516,850
Fourth loan	6,989,047,000

In addition, war savings stamps have been sold and issued amounting to $800,000,000, or a total of $18,768,340,000.

A vast amount of money, sir, has been drawn from the people by the Government loans already made. Many people under the pressure of the times borrowed to buy Government bonds. They must earn the money to pay their debts. A period of reaction is at hand. Hundreds of thousands of men in the change from war to peace will be out of employment. Tens of thousands of them are out of employment now. The streets of our great cities are thronged with men looking for employment. The conditions under which we have financed the war are on the threshold of a mighty change. It occurs to me that Senators would do well to take that into account.

PENDING BILL WILL NOT RAISE SUFFICIENT REVENUE.

Now, what does the present bill propose? It proposes to raise less than $6,000,000,000 by taxation to meet the expenses of the Government for the taxable year. The total disbursements for the fiscal year 1918 are given in the report of the Secretary of the Treasury for the year 1918 at $21,813,356,508.39. The former Secretary of the Treasury stated before the Finance Committee but a few days ago that we will expend for the year ending June 30, 1919, at least $18,000,000,000. Not a fact has ever been given by anyone which attempts to show that the expenditures of the Government for the fiscal year 1919 will be less than those of 1918. For at least a portion of the fiscal year 1919 we know they will be proportionately larger, and I here venture the opinion that they will be nearer $22,000,000,000 than $18,000,000,000. How is the Government going to float loans covering the next 12 months of from ten to twelve billion dollars of bonds, probably more, in addition to those already taken?

How is it going to do it, especially if it has not properly taxed wealth and war profits? We can, of course, pass this bill, wash our hands of the matter, and hope that in the next few months something will turn up, or that the people will continue to buy the bonds of the Government; but we must consider more than next year.

Beyond that is the next and the next and the next year, during which time all experience shows there will be comparatively little decrease in the disbursements of the Government. Gentlemen seem to be proceeding upon the theory that with the passing of the present or, at most, the next year our disbursements will shrink to something approaching normal conditions and that we may then enter upon the liquidation of our giant indebtedness without too great hardship.

But, sir, nothing is further from the truth than that assumption, as shown by the experience of this country in each one of its wars. For the purpose of illustrating our experience in other wars I have prepared a table showing the total disbursements of the Government for the year preceding the War of 1812, the Mexican War, and the Civil War, and also the total disbursements of the Government of each of the years of those wars and for a period of five years or more after peace was concluded.

ADMINISTRATION'S POLICY IS CONTRARY TO EXPERIENCE.

The War of 1812 began June 19, 1812, and ended with the treaty of Ghent on December 24, 1814. The treaty of peace was dated almost at the conclusion of the calendar year 1814.

Now, Senators, note the expenses year by year. In 1811 the normal or peace time expenses of this Government amounted to $14,110,525.59. In 1812 the expenses rose to $22,831,595.68. In 1813 the expenses were $37,825,932.08. In 1814 they were one million less. Now, mark you, in 1815, the first year of peace, they rose from $37,000,000 to $40,326,248.96.

Senators upon the other side of the Chamber who voted for a reduction of taxation in 1919 on the assumption that the cost of this war was to begin to diminish rapidly by that time did not take into account our experience in other wars.

The first year of peace following the War of 1812 the disbursements of the Government were $3,000,000 more than they were the last year of the war.

Let us go a step further. Let us look at the history of this country in the years succeeding other wars. I have just given you the amount of Government expenditures the first year of peace following the War of 1812. It jumped $3,000,000 above the last year of the war instead of falling below it. The policy of Mr. McAdoo and the other members of the administration in fixing the tax at $4,000,000,000 for the next year, instead of $6,000,000,000, is contrary to the history of the Mexican War. It can not be possible that you did not know that history, and that you were playing politics. It is unbelievable that you thought it would be clear political management to reduce the taxes for next year, just as you are about to lose control of Congress, and throw upon a Republican Congress the onus of increasing taxes or selling bonds to raise money in a time of peace.

In 1815, the first year of peace after the War with Great Britain, the disbursements were $3,000,000 more than they were the last year of the war. Now, let us see about the next year. In 1816, the second year after the war, they were $49,052,370.66, or $12,000,000 more than they were the last year of the war. You were planning in this bill for a tremendous shrinkage of expenditures and disbursements, and you are proposing in this bill and carrying it through the Senate by a party vote that there shall be levied next year only $4,000,000,000 of taxation. Is it possible that you are willing to go on record as being in favor of excessive bond issues, creating inflation, imposing on the people the increased costs in the living sure to result from the inflation attending large bond sales?

Mr. SMITH of Georgia. Will the Senator allow me?

Mr. LA FOLLETTE. Certainly.

Mr. SMITH of Georgia. I have been listening with a great deal of pleasure to the Senator. Whatever the figures may have been with reference to the other wars, I have not any doubt myself that the expenses will be less in 1920. I know the Army will be disbanded; and that expenditure will be gone. I know this enormous construction will decrease; I do not see how it is possible that the expenses in 1920 can be anything like what they will be this year if we manage our affairs well.

Mr. LA FOLLETTE. Yes, Mr. President; of course, I am sure that the Senator does not. I know he must have followed that line of reasoning or else he could not have voted as he did.

He probably did not have in mind the history of the expenditures following these other wars. There is not a single war to which our Government has been a party in which for the first year following the close of the war it did not cost nearly as much or more for the settlement of the debts of the war than the last year of the active military operation.

Mr. SMITH of Georgia. Will the Senator allow me further?

Mr. LA FOLLETTE. Certainly.

Mr. SMITH of Georgia. Without any regard to what took place after those other wars, from my own knowledge of what we have to pay next year and what we will not have to pay in 1920, I still believe the expenses in 1920 ought to be vastly less than those of 1919.

Mr. LA FOLLETTE. I thought the Senator believed it. If he did not so believe he would not have voted as he did.

Mr. SMITH of Georgia. I would not.

Mr. LA FOLLETTE. I am sure he would not.

Mr. SMITH of Georgia. So far as I know I was the first person to advocate the reduction of taxes for 1919 payable in 1920. I did it because I thought as a member of the Military Committee I knew what the expenses would be next year, and I knew that they ought not to be any more in 1920.

Mr. LA FOLLETTE. Let me say to the Senator that in every other war the armies were demobilized immediately after the war closed. You know that in this war we are not to demobilize a large part of our Army at all. We are told it is the plan to keep from one million to a million and a half men in Europe for an unknown period. There is a wide difference between the conclusion of this war and other wars. So I refer to these statistics and every one of those facts as being against the Senator's contention of a relatively large reduction of expenses.

Mr. SMITH of Georgia. The Senator does not mean that we are to keep them after 1919 in Europe?

Mr. LA FOLLETTE. We do not know. When the Secretary of War was before the Committee on Finance he said he did not know how long they were to be kept over there; that it depended upon the conditions abroad; that he was going to keep 32 divisions over there until the conditions changed.

Mr. SMITH of Georgia. Will it not require legislation by Congress to keep them more than four months after the war ends?

Mr. LA FOLLETTE. Oh, Mr. President, what has that to do with it? Does the Senator doubt that Congress will bend its knee whenever the administration calls upon it for a change in legislation and for appropriations to meet the change? Has Congress shown any independence in the matter of yielding to the administration when it asked it to appropriate for expenditures for the War Department or for any other department? If the administration without any action on the part of Congress should attempt to use the Army of the United States abroad in countries with which we have not declared war, I have not any doubt but that Congress would vote money to provide for those armies. It has been, Mr. President, of all the Congresses in the history of this Government the most subservient to the will of the administration.

So it is no answer to say that they must come back to Congress for what they wish to have appropriated. If Congress should have an awakening, if Congress should get a grip on itself, if Congress should really become an independent coordinate branch of this Government, as was intended under the Constitution, then the record it has been making since we declared war would have to be radically changed. Since that time Congress has been doing the behest of this administration without any independent judgment or mind upon anything.

Mr. KING. Will the Senator yield for just a moment?

Mr. LA FOLLETTE. Certainly.

Mr. KING. The Senator was administering rather a rebuke to this side of the Chamber because the tax for the current year was fixed at $4,000,000,000. The Senator thought that that was too low. I am inclined to think the Senator is right in that observation, but may I not suggest to my friend that his side of the Chamber has not proposed an amendment to the bill increasing it above the $4,000,000,000 mark. So, if we are to be criticized for not levying a tax in excess of $4,000,000,000, I think my friend, in justice, ought to criticize the other side of the Chamber because they have not proposed an amendment augmenting the amount.

Mr. LA FOLLETTE. I wish to be perfectly fair, as the Senator from Utah, I think, will believe. If the amendment to which he refers, against the adoption of which this side of the Chamber contended, had been stricken from the bill, the bill would have stood at $6,000,000,000 and no other amendment would have been necessary.

Mr. KING. As I understood the contention of the minority——

Mr. LA FOLLETTE. I think I am right about that.

Mr. KING. I may be wrong; but my understanding of the contention of the minority was that we ought not to levy a

tax at all for the fiscal year ending June 30, 1920, but that we ought to be convened in special session in March or April of the coming year and lay the taxes for the fiscal year ending in 1920.

Mr. LA FOLLETTE. That may have been the effect of the argument made before the Senate; but if the committee amendment had been rejected the tax levy for next year would have stood at $6,000,000,000.

Mr. NORRIS. Mr. President——

The PRESIDING OFFICER (Mr. NUGENT in the chair). Does the Senator from Wisconsin yield to the Senator from Nebraska?

Mr. LA FOLLETTE. I do.

Mr. NORRIS. I heard what the Senator from Wisconsin said, but I could not hear what the Senator from Utah said. I do not want to permit to go unchallenged the statement that the minority were not in favor of levying any taxes at all for the next year. The bill was in such a shape that if that amendment—that I presume the Senator was speaking about as I came into the Chamber—had not been put on the bill there would have been the same tax for the next year that we are levying for this year.

Mr. LA FOLLETTE. I submit that is the parliamentary situation.

Mr. NORRIS. That is the parliamentary situation in the Senate.

Mr. SMITH of Georgia. I do not think there is any doubt about that.

Mr. LA FOLLETTE. Of course, that would be the fact.

The PRESIDING OFFICER. Does the Senator from Wisconsin yield to the Senator from Nebraska?

Mr. LA FOLLETTE. I do.

Mr. NORRIS. The tax carried by the bill would have remained on the statute books until changed.

Mr. SMITH of Georgia. If the Senator will yield to me, undoubtedly that is true, and that is what he insisted upon, that we were fixing a tax for 1919 and 1920 and indefinitely unless we modified it.

Mr. LA FOLLETTE. Exactly.

Mr. SMITH of Georgia. And as we did not need by $2,000,000,000 that sum for 1920, we ought in this bill to say so.

Mr. LA FOLLETTE. I understand that was the argument of Senators upon the other side.

Mr. SMITH of Georgia. The only objection from the other side that I have heard was that we did not continue $6,000,000,000 as a tax; and in the discussion heretofore on the floor of the Senate it was not suggested that you desired to maintain a $6,000,000,000 tax, but that the majority desired to say later on next year——

Mr. LA FOLLETTE. What the tax should be.

Mr. SMITH of Georgia. How the $2,000,000,000 should be taken care of, the objection being, and it was not merely the objection of the Senator from Wisconsin, that we left the excess-profits tax, and it ought to come off altogether. I do not mean that they were influenced by the Senator from Nebraska or the Senator from Wisconsin. I have no doubt there are several Senators on the other side who were not in any way influenced by that view, but that was the line of discussion that we met in opposition.

Mr. NORRIS. Mr. President, will the Senator from Wisconsin yield to me?

Mr. LA FOLLETTE. I yield to the Senator from Nebraska.

Mr. NORRIS. The situation is this: A bill came into the Senate, and then the Senate Committee on Finance proposed an amendment that would lower the tax after the bill should have been in operation for one year. To that I was opposed, and to that, I think, there was a solid vote in opposition on this side. It may be that some were moved by one theory and some by another, but the fact remains that, if that amendment had not been put on, and if nothing had been said about any succeeding year, the bill would have remained in force at the $6,000,000,000 amount indefinitely——

Mr. SMITH of Georgia. Undoubtedly.

Mr. NORRIS. Unless it had been changed by some subsequent act of legislation. So far as I am concerned, I should rather have increased the $6,000,000,000. We know that we shall not have money enough in either one of these years to pay the obligations of the Government, and it seems to me personally, although I did not take any part in the argument, that it is poor policy for the Government to lower the tax now for a year that is to come, when we know that during that year and during this year we are not going to raise money enough by taxes, but shall have to issue bonds.

Mr. LA FOLLETTE. Yes, Mr. President; if I might supplement what the Senator from Nebraska is now saying, and when we know that the sources from which we might take large revenues——

Mr. NORRIS. Are going to disappear.

Mr. LA FOLLETTE. That have made enormous profits out of the war are going to disappear in the next year or two.

Mr. SMITH of Georgia. Mr. President——

The PRESIDING OFFICER. Does the Senator from Wisconsin yield to the Senator from Georgia?

Mr. LA FOLLETTE. I yield.

Mr. SMITH of Georgia. I wish again to express my full agreement with the Senator from Nebraska [Mr. NORRIS] as to what would have been the effect of this bill if this modification had not been made. I only wish to repeat that that objection to the modification has been presented, so far as I have heard, to-night for the first time, and it was not the objection which I understood influenced the majority of those opposed to it. I am not surprised to know that that objection influenced the Senator from Nebraska, and I knew that it influenced the Senator from Wisconsin, for I understood their views on the subject of meeting the expenses of the Government more rapidly by heavier taxation.

Mr. LA FOLLETTE. Than by heavy bond issues.

Mr. STERLING. Mr. President, will the Senator from Wisconsin yield to me for a moment?

The PRESIDING OFFICER. Does the Senator from Wisconsin yield to the Senator from South Dakota?

Mr. LA FOLLETTE. I yield to the Senator.

Mr. STERLING. As I understood the Senator from Georgia [Mr. SMITH], he said that the suggestion had not come from this side of the Chamber that the expenses of the Government for the year 1920 would exceed the amount provided for by the pending bill.

Mr. SMITH of Georgia. No; that is not exactly what I said. I said that I had not heard from that side of the Chamber that they were unwilling for the tax of $6,000,000,000 to be continued for 1919–20. They agreed that it should be reduced, but they desired it reduced when the new Congress came in.

Mr. STERLING. Mr. President, I should like to read a part of what the Senator from Utah [Mr. SMOOT] said as to the amount that would probably be needed in the fiscal year 1920. His statement was as follows. I read from page 492 of the RECORD:

> Mr. SMOOT. Under the pending bill the estimated receipts for the fiscal year ending June 30, 1919, are $5,987,406,000. That is to be collected on business for the year 1918 during the calendar year 1919. I am discussing the question as to the amount of taxes we shall raise on the business of 1919 to pay the expenditures of the Government beginning July 1, 1919, and ending June 30, 1920. They are two separate and distinct propositions, and I want Senators to know that they are distinct propositions. I want the people of the country to know the amount of money we shall have to raise in some way to meet the expenditures for the fiscal year ending June 30, 1920, will be at least $10,000,000,000.

I have read this, because while the Senator from Georgia says that he did not say exactly what I had thought, yet the impression was left, I think, that there had been no contention on this side that more than $4,000,000,000 would be needed.

Mr. LA FOLLETTE. Mr. President, I proceed to derive from the history of our previous wars such light as experience can furnish to guide the Senate at this time. The Senate will shut its eyes to the light. I know that perfectly well, but I am going to set it before Senators. I am going to put the lamp at their feet, and then let them go blindly on in the other direction if they choose to do so. However, here is what the history of all other wars tells us. Just how we are going to reduce expenditures more rapidly in this than we have in other wars I should be glad to be enlightened.

Mr. STERLING. Mr. President——

The PRESIDING OFFICER. Does the Senator from Wisconsin yield to the Senator from South Dakota?

Mr. LA FOLLETTE. I do.

Mr. STERLING. For information more than anything else, I should like to ask the Senator from Wisconsin a question or two along this line. How many enlisted men and officers does the Senator from Wisconsin believe will be demobilized and discharged from service within the next few months?

Mr. LA FOLLETTE. Well, Mr. President, I think perhaps I am not betraying any confidential communication, for I do not remember that the Secretary of War imposed any restrictions upon us when he was before the Committee on Finance, when he said that at the extreme limit we had over there 42 divisions of troops, and that it was the purpose of the Government to keep 32 divisions there; that just how long they would be kept there would depend entirely upon conditions; that was indefinite; and he could say nothing further about it; but that for the present it was the plan of the Government to bring back the difference between 42—I am stating my recollection

of the figures—and 32 divisions; that after the troops in the cantonments had been demobilized upon this side that it was the purpose to use these camps for the reception of troops brought back from overseas and for their demobilization as the business of the department would permit.

Mr. STERLING. I mention this, Mr. President, because I am somewhat startled at the statement of the Senator from Wisconsin to the effect that the expenses for the year after the war—and I take it that that means after demobilization also; I think it is fair to construe it in that light—will be greater than the expenses during the war.

I have figured on this basis, somewhat hurriedly, that there will be at least 1,500,000 men demobilized and discharged and out of the pay of the Government within that time, or very soon. Now, that number of men at $30 a month—and that is the minimum for the enlisted men, and does not include the officers—will be $45,000,000 for one month; for the year it will be $540,000,000. That is for pay alone.

Now, I take it that subsistence itself will cost as much as the monthly wages will amount to; and that would be $540,000,000, or a total of $1,080,000,000 in the year after the demobilization of 1,500,000 men. It is a little hard for me to understand where the rest of the extraordinary expenses come in after the demobilization.

Mr. LA FOLLETTE. Mr. President, I can understand the Senator's point of view. He is merely considering the saving from partial demobilization and nothing else connected with the cost of war; but if he knew that in the last year of the War of 1812 we had demobilized the troops and yet it was the most expensive year of that war, it might suggest to him that there were other things to take into account aside from the discharge of the men from the service.

Then if he knew, furthermore, our experience following our other wars proved the same thing as to the difficulties encountered in reducing the higher levels of war expenditure, perhaps he would conclude that there were quite a number of things outside of the demobilization of the troops to be taken into account.

Furthermore, with regard to the Civil War, if the Senator knew that the troops were almost entirely demobilized within two or three months after the war was over and that it appears that we are to keep at least a million and a half of our men in Europe for an unknown period, he might possibly think that his figures would stand revision.

Mr. STERLING. I am counting on that, I will say to the Senator from Wisconsin; but I still find what I have stated to be the result of the demobilization of that many men.

Mr. LA FOLLETTE. Mr. President, I now resume where I was interrupted.

I said a moment ago that I did not expect to be able to impress the Senate with the result of the history of previous wars; I do not; but I am going to put it into the RECORD. I think it may serve as a warning to the country of what is to follow after this war.

In 1815, the first year of peace following the War of 1812, the expenditures rose to $40,326,248.96, or $3,000,000 more than the last year of the war, the war having closed and peace having been declared in December, 1814, so that the year 1815 was the first full year of peace.

Mr. THOMAS. Mr. President, would it interrupt the Senator if I should interject a remark there?

Mr. LA FOLLETTE. Not at all.

Mr. THOMAS. I merely wish to say that I am satisfied with the correctness of the Senator's figures, because I investigated the subject somewhat myself and stated in the committee that the peak of expenditures occurred during the year after the war instead of during the war. I indulge the hope, however, that the second year after the war will not be quite so bad, especially if Congress will practice some of the economies which, as individuals, we are advocating.

Mr. LA FOLLETTE. Mr. President, I remember the position of the Senator from Colorado upon the subject when it was before the Committee on Finance. But we will do better than our predecessors have following other wars if we even approach the neighborhood of normal expenditures for several years to come, as I proceed to demonstrate:

In 1816, the second year after the war of 1812 was ended, the expenditures rose to $49,052,370.66 as against $37,825,932.08 in the last year of the war. In 1817, three years after the war, they were $41,794,774.90, or $4,000,000 more than they were the last year of the war; in 1818, after five entire years of peace, the expenses still stood at $36,136,674.58, or only $3,000,000 less than they were in any year of the war; and it was not until nine years after the war, or in 1823, that the expenses approached the peace-time status.

Now, Mr. President, I have here in my notes a table taken from the report of the Secretary of the Treasury giving the expenses for the year 1811 to 1823, which I ask to have incorporated in my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

The table referred to is as follows:

WAR OF 1812.

Began June 19, 1812.
Ended December 24, 1814, by treaty of Ghent.
The following table shows the total disbursements, including public-debt transactions, of the Government for the year prior to the war and for the years during and subsequent to the war designated in the table:

Year:	Total of all disbursements.
1811	$14,110,525.59
1812	22,831,593.68
1813	39,825,932.08
1814	38,754,605.18
1815	40,326,248.96
1816	49,052,370.66
1817	41,794,774.90
1818	36,136,674.58
1819	25,118,232.32
1820	22,926,216.18
1821	20,268,098.97
1822	18,843,951.59
1823	16,472,948.49

Mr. LA FOLLETTE. Mr. President, you will observe the same thing with respect to the Mexican War. Starting with a peace-time expenditure of $34,000,000 prior to the war, it leaped to $64,500,393.84 during 1847, the second year of the war, while in 1848 the expenditures were $64,981,993.46, and the treaty of peace was signed in February, 1848, so that could hardly be reckoned as a war year. In 1849 the expenses still stood at over $60,000,000, and in 1853, five years after the war, they were over $59,000,000, or $20,000,000 more, substantially, than they were prior to the beginning of the war.

Mr. President, I ask to incorporate in my remarks at this point a table showing the expenditures of the years during and following the Mexican War.

The PRESIDING OFFICER. Without objection, it is so ordered.

The table referred to is as follows:

MEXICAN WAR.

Began April 24, 1846.
Ended February 2, 1848, by the treaty of Guadalupe.
The following table shows the total disbursements, including public-debt transactions, of the Government for the year prior to the war and for the years subsequent to the war designated in the table:

Year:	Total of all disbursements.
1845	$34,811,140.70
1846	31,708,319.81
1847	64,500,393.84
1848	64,981,993.46
1849	60,865,471.87
1850	49,817,671.69
1851	54,754,505.99
1852	53,821,058.87
1853	59,817,786.44

STATEMENT OF EXPENDITURES FOLLOWING THE CIVIL WAR.

Mr. LA FOLLETTE. Mr. President, the Civil War even more graphically illustrates the same principle. I will assume that the war started at the time Jefferson Davis was elected president of the Confederacy in February, 1861, and that it ended when Lee surrendered in April, 1865. Having these dates in mind, the table I present is peculiarly instructive. In 1860 the normal or peace-time expenditures were $85,373,193.05. Keep those figures in mind. In 1860 $85,000,000; in 1861, $93,000,000; in 1862, $573,000,000; in 1863, $908,000,000; in 1864, $1,265,000,000; in 1865 they were $1,916,829,660.

Now, mark you, Lee surrendered April 9, 1865, and the great demobilization of the Union troops took place in the city of Washington when the grand review was had along Pennsylvania Avenue here in May of that year. That wonderful army disappeared, went back to the vocations of peace, melted away, became no longer a subject of expense to the Government or the country, in the first three or four months of that year; and yet the year 1865 was the big year of expense of that war. It was not the year of greatest military activity. There were few operations of the great armies upon either side after January, 1865. They were at grips, it is true; there was a bulldog tenacity upon both sides. But so far as military expense due to activity in the field was concerned, there was probably the smallest expenditure during January, February, March, and April, 1865, than for any like period during the entire war. Nevertheless, disbursements for the year 1865 were the highest of any year of the war, and the war ended within the first 90 days of that year. In other words, 1865 was a year of peace for 9 out of the 12 months, but it was the costliest year of the whole war.

What justification have you, Senators, for assuming that there will be the enormous reduction in disbursements which

you propose in this bill for the first year of peace? All history and experience is against you. Your plan simply means lighter taxes on big incomes, and monster war profits, and more loans, and larger bond sales.

Mr. SMOOT. Mr. President——

The PRESIDING OFFICER (Mr. McKELLAR in the chair). Does the Senator from Wisconsin yield to the Senator from Utah?

Mr. LA FOLLETTE. I do.

Mr. SMOOT. I want to call the Senator's attention to one statement that was made by the Secretary of War that gives us some idea as to how the expenses of the War Department for the coming year were arrived at.

The Book of Estimates, as first prepared by the War Department—and, by the way, it is printed and any Senator can get a copy of it—showed that the estimates for the fiscal year ending June 30, 1920, or the coming fiscal year, would amount to $19,169,055,721.60. I asked the Secretary of War: "Well, how did you arrive, then, at the second estimate of the expenses of the War Department for that year?" and that amounted to $1,916,905,572.16. The answer was that his first estimates were based upon an army of 5,000,000 men, and that this estimate was based upon an army of 500,000 men, or one-tenth of the number of men, and therefore one-tenth of the amount of the first estimate. I called the attention of the Senate the other day to the fact that if there are more than 500,000 men in our Regular Army at any time during the year beginning June 30, 1919, and ending June 30, 1920, we shall have to pay more than these estimates call for.

Mr. LA FOLLETTE. But there was not a suggestion, as I remember the Secretary's statement, of returning to this country, within any definite period of time, more than a fourth of the great army we have abroad. We are going to keep over there for an indefinite period a million to a million and a half of men, unless there is a change in plans.

Mr. VARDAMAN. Mr. President, I suggest to the Senator that if we are to hold the hands of those toddling little principalities until they learn to walk alone, probably we will have to furnish the necessary money.

Mr. LA FOLLETTE. Yes. That is a still bigger question.

Mr. JONES of New Mexico. Mr. President——

Mr. LA FOLLETTE. Mr. President, let me go on, if the Senator will permit me, with the figures that I started to give. If I can not, I do not know that I will be able to finish to-night.

Mr. JONES of New Mexico. I think it will be well, however, to have this observation in mind: The Secretary of the Treasury had in mind the fact that, even though the expenditures might prove to be greater than the amount of his estimate, yet the sum of $4,000,000,000 would be as much as we ought to raise in the fiscal year by taxation, because the additional expenditure would be on account of the war, and through all this legislation we have been endeavoring to pay from a third to a half of the actual war expenses by taxation. That was the theory, as I understand, upon which the amount was arrived at.

Mr. LA FOLLETTE. That is true; and, of course, the Senator from New Mexico, not being in the Chamber when I made the earlier portions of my argument this evening, missed what I then said. I do not concede that to be sound war finance.

Mr. JONES of New Mexico. I knew, of course, Mr. President, that there was a difference of opinion on that point; but this estimate and the fixing of the amount to be raised by taxation is in keeping with the plan which we have generally kept in mind.

Mr. LA FOLLETTE. Yes; I think it is, Mr. President, and I think it is a bad plan. I think it is a plan that is, in a way, a crucifixion of the great mass of the people of this country. It is a rank injustice. It is a discrimination that can find no justification anywhere; and I believe that when the people come to understand that they will take it into account.

Mr. JONES of Washington. Mr. President——

The PRESIDING OFFICER. Does the Senator from Wisconsin yield to the Senator from Washington?

Mr. LA FOLLETTE. I yield.

Mr. JONES of Washington. As I understand the suggestion of the Senator from New Mexico, it is that the Secretary of the Treasury practically admitted or assumed that we would issue bonds to take care of a part of the money that we would have to raise for the fiscal year 1920.

Mr. LA FOLLETTE. Oh, yes, Mr. President. I think that is true not only of the position of the Secretary of War but of the position of the Secretary of the Treasury. The Secretary of the Treasury starts off for this year with the assumption that we will need $18,000,000,000, and he assumes that all we ought to raise by taxation is $6,000,000,000; and he said again and again to the committee, "If you will provide for $6,000,000,000 by taxation, I will take care of the rest of it as Secretary of the Treasury," which meant that he would take care of two-thirds of that amount by loans. It could not mean anything else.

Now, Mr. President, I believe that to be an abominable doctrine. I believe it to be a doctrine that the people of this country ought to resent and that any administration which stands for fastening upon the people 66⅔ per cent of the expenses of the war by loans, interest-bearing obligations, ought to be forever turned out of power. That is my notion about it.

I do not know how much better the Republicans would do. I know it is the view of some Republicans that bond issues should be large and taxes should be small; but I do not care who advocates that view. I stand here to say for myself, as one Senator of the United States, that I am against it. I would be in favor of raising two-thirds or three-fourths of the money by taxation—as much as it is possible to raise without blocking the wheels of production. I do not think any other system is just or right.

I remember that the other day, when the distinguished Senator from New Mexico [Mr. JONES] was speaking—and he made a brilliant speech, and I was very much interested in it—he said that the amount of money that we had raised in this country by taxation was greater, he thought, than that raised heretofore by any country in the history of the world. That is not my recollection of history. In the Crimean War Great Britain paid 52 per cent of the expenses of the war by taxation; that in the Napoleonic wars she paid by taxation in excess of 47 per cent. I do not think, however, that 52 per cent is as much as should be raised by taxation for financing this war.

I say, Mr. President, it is difficult to tax wealth. You can provide for bond issues which, together with interest, the people out of their sweat and toil must pay through consumption taxes. That is the only way in which it can be paid in the end; but it is exceedingly difficult to make wealth step up to the captain's office and pay its proportion. I say "its proportion," for I assert that if you took all the income of wealth, every bit—aye, I will go further than that and say if you took the capital itself—you would not be taking more than we have taken from tens of thousands of families in this war.

Why do you not stand up to your duty here and take as much out of wealth as you take out of the blood and flesh of the people of this country?

The poor do not make anything out of war. Wealth does. Wherever money is invested in enterprises that have contributed in any way to war production there have been enormous profits; but tell me where the families of the poor who have given their fathers and their sons have profited by this war.

Senators, just stop a little and think about this business. Who ought to carry the burden of this war? Surely not the millions who were put into the ranks, who have been taken away from production, leaving their families destitute. The corporations of this country earned $10,000,000,000 in the last year. That is the report. Ten billion dollars in net profits, not gross but net, over all their expenses. For over three years before the war they earned an average of over $4,000,000,000 of net profits, and when it comes to taxing them roundly Congress hesitates. But you did not hesitate to take not only the income of the poor family but the capital that is producing the income—the father and the sons—and putting them into the service of the Government. All right, but by the God that is over us, if you want to do justice do the same thing by capital. Take the income, take every dollar of the income except enough to keep the family in comfort. I would leave that much, but I would take every dollar of profit that has been made out of war.

I come back now to the Civil War. I present a table which graphically shows the expenditures for the decade 1860 to 1870.

THE CIVIL WAR.

Jefferson Davis elected President February, 1861.
Lee surrendered April 9, 1865.

The following table shows the total disbursements, including public-debt transactions, of the Government for the year prior to the war and for the years during and subsequent to the war designated in the table:

Year:	Total of all disbursements.
1860	$85,373,193.05
1861	93,736,609.45
1862	573,067,384.64
1863	908,880,700.84
1864	1,265,418,320.10
1865	1,916,829,660.07
1866	1,063,746,933.16
1867	948,960,202.14
1868	997,081,972.34
1869	479,921,036.83
1870	470,236,423.53

It was not until 1881 that the total disbursements of the Government fell below $400,000,000.

You can not count on the expenditures of this war dropping, as Senators upon the other side have declared. They believe

that the expenses will fall. They are mistaken about it; that is all.

In 1867, nearly three years after the real fighting was over, the expenses were $1,948,000 more than they were in 1863, the hard-fought year of the war. In 1868, three years after the war, the expenses were $1,197,000,000, in round numbers, more by nearly $100,000,000 than they were in 1863.

EXPENDITURES WILL CONTINUE TO BE HIGH.

It is folly for us to figure upon the diminution of the expenses contemplated by this bill and by the plan of the Treasury Department. It simply means, Mr. President, that wealth is to escape its share of taxes and that bond issues are to make it up, and the people are to sweat and toil in the years to come to pay the interest on bonds, the principal of the bonds, and the higher cost of living. That is all it means. It is all blocked out here in the figures. I have given you the figures of all the wars we have ever been in, and they all read the same way.

It was not until 1869, five years after the real fighting of the Civil War was over, that the appropriations dropped back to what they were even the first year of the war. In 1869 they were $479,000,000; in 1862 it was $573,000,000; in 1870, $470,000,000, six times as much as before the war began.

You have not figured on anything of that kind in this bill nor anything like it. It is not the plan of the Secretary of the Treasury. It is not contemplated by any of those who are managing the finances of this war.

Mr. President, if I wanted to be mean, if I wanted to try to deduce something from the facts that imputes motives, if I wanted to be partisan, I could say that you wanted to stand in with wealth, that you wanted to curry favor with the big business institutions of the country, that you wanted to let up the taxes on the millionaires in order to finance the future campaign; that you wanted to take it out of the great mass of the people who are not organized, and who have not any wealth nor any power to strike back with. I do not believe anything of the kind. I just think you are going blindly at this business. I will not ascribe any such motive as that to you.

The Secretary of the Treasury came before the Committee on Finance and said: "Cut down this tax." That is a pretty effective proposition; he goes to the country and says that the taxes are to be low; it makes everybody feel pleasant and good, and the committee follows the advice of the Secretary. I do not know whether my Republican brethren on the committee really resented that feature of it. Just how much they wanted to make the reduction I do not know. I know they do not agree with me about the method by which these taxes should be levied. I know they do not support my proposition here to raise more out of wealth by taxation. They did not when the last revenue bill was passed, and I suppose they will not now. That is, certain of them do not. But that is what happened.

All the foregoing figures are taken from the annual report of the Secretary of the Treasury for the year 1918, and they are reliable. The different disbursements for the European war, actual and estimated, are shown by the following table. We began the war April 6, we will say, and the following table shows the disbursements prior to our entering the war and during the war. I take every one of these figures from the recent report of the Secretary of the Treasury, brought in person to the Committee on Finance on the 4th day of December, two days after his letter submitting it to Congress.

In the fiscal year ending July 1, 1916, before we entered the war, the total disbursements were $1,040,261,082.73. In the fiscal year ending July 1, 1917, that would include some of the war expenses incurred from April 6, 1917, our total disbursements were $3,046,183,746.19; for the fiscal year ending July 1, 1918, the disbursements were $21,813,356,508.39; for the fiscal year ending July 1, 1919, it was suggested by the Secretary of the Treasury that our disbursements would be $18,000,000,000.

Now, I want to remind members of the Finance Committee that the Secretary of the Treasury did not submit a single figure in support of that statement. He was vague and indefinite about it.

Mr. JONES of New Mexico. Will the Senator yield?

Mr. LA FOLLETTE. Of course.

Mr. JONES of New Mexico. I am not acquainted with the figures that the Senator has just given for the fiscal years ending June 30, 1918, and June 30, 1917. Will the Senator please give them again?

Mr. LA FOLLETTE. Yes, I will; and I will refer the Senator to the report of the Secretary of the Treasury, where he will find them. I know they are different from the figures given by the Senator the other day when he made his speech on the floor. I noticed them at the time, and have looked them up since.

Mr. JONES of New Mexico. I will state to the Senator that they are different from the figures I gave.

Mr. LA FOLLETTE. I know that, and you can get both figures from the same report. I can refer you to the index where you will find the discrepancy.

Mr. JONES of New Mexico. I am inclined to think that the discrepancy arises between certain estimates and the actual expenditures. The Secretary of the Treasury certainly gave the actual expenditures for the fiscal year ending June 30, 1917, as a little over $2,000,000,000 and for June 30, 1918, at over $13,000,000,000.

Mr. LA FOLLETTE. I will refer the Senator to the report and the page where he can find the table which I have here reproduced. On page 490 of the report of the Secretary of the Treasury is a table recapitulating the disbursements by fiscal years, and the figures I quoted are taken from the table headed "Table of all disbursements," and I quoted the figures for the years 1916, 1917, and 1918 appearing there.

The Secretary of the Treasury merely suggests that the total disbursements of the Government for the fiscal year 1918 will be $18,000,000,000. The total disbursements may be much larger than that. However, if our expenditures of other wars mean anything it will be at least five years after the present war terminates before we can hope at least to even approximate a return to normal expenditures, and if the plans of the administration are carried to keep a standing Army of one million and a half men in Europe for perhaps years, which certainly would involve an expenditure of a billion at least, we can look for no substantial decrease in expenditures.

Now, sir, if previous experience means anything it must enable us to see that when the figures for the disbursements of this year of the present war and succeeding years are written out they will show that for at least five years yet to come our disbursements will average from twelve to fifteen billion dollars each year. That is what they will amount to if we rely upon our combined experience in these other wars.

DISBURSEMENTS TO BE PROPORTIONATELY HIGHER.

And the disbursements of the years succeeding the present war will be proportionately much greater because of the changed conditions following this war. The War of 1812, the Mexican War, and the Civil War were domestic wars. Our soldiers either did not leave their own country or progressed but a short way into adjoining enemy territory. They returned home and demobilization was a simple matter, accomplished with comparatively little expense and within a short space of time. There were no foreign lands for us to police after those wars were over. But to-day all this is changed. A vast army of two million or more men are thousands of miles away, scattered all over the continent of Europe, some of them I fear at this very moment in desperate straits in the midst of a Russian winter in Siberia and possibly elsewhere in that country. We have no information when it is the plan of the administration that these men should return to their homes, but we are advised by the War Department that about one million and a quarter men will be kept abroad for some time. We have reason to believe that a large army will be kept in Europe for months—or possibly years. But under the best and most fortunate conditions we know there is no likelihood of the soldiers all being returned to this country and demobilized for a year or more.

It is a very rash man, sir, in the light of these facts and in view of our experience in other wars, who expects our Government expenditures to drop below ten or twelve billion dollars annually at any time within at least the next five years. That means if we raise by taxation during each one of those years no more than this bill proposes to raise there will still be left twenty-five or thirty or more billions for us to borrow. This, Mr. President, is the truly appalling situation that we must face, and it is in the light of this knowledge we should work in framing this bill.

Instead of seeking where we can pare down a little here and there for the benefit of this corporation or that interest, or insert a cushion to take off the jar that comes to a special interest because its taxes are raised a little, we should be trying to see how we can raise the last dollar possible out of the wealth of this country and out of the profits of war in order to meet the expenses of the war.

Whatever may have been the forces which caused the present world war, one result of it must be apparent to every man of intelligence, and that is that the plain citizen has come to realize his power as never before, and consequently will assert his rights as never before. In order to raise the money to pay the expenses we have incurred, and are bound to incur, the Government must reach out and put a heavy hand, through its power of taxation, upon every citizen in the land, and if it be presently discovered that the hand of the Government bears heavily and

unjustly upon the masses and touches only lightly the rich—in proportion to their ability to pay—it will produce conditions of discontent and resentment not pleasant to contemplate. Any injustice that is done by us may be long endured, and in framing the legislation to raise these vast and almost inconceivable amounts of money we are directly affecting the lives and fortunes of every one of our people and we can not afford to enact this legislation unless it can be defended upon the ground that it is just as fair to the poor man as it is to the rich in proportion to the ability of each to carry the burden and sacrifice of war. I undertake to say that the Senate bill can not be, and has not been, defended upon that ground.

INDIVIDUAL INCOMES.

The first change of importance which the substitute bill makes in the Senate bill occurs in the tax on individual incomes. The net result of the change I propose is to increase the total amount of the tax collected from that source by $352,510,000.

To accomplish this I propose to amend section 210 by reducing the normal tax in the Senate bill from 12 per cent to 2 per cent and change the rates of taxation upon incomes as shown in the substitute bill. For purposes of clearness I have prepared and ask to have inserted in the RECORD the rate and per cent of the tax upon the incomes of heads of families as shown under the existing law, the committee bill, and the substitute bill.

The PRESIDING OFFICER. Without objection, it will be so ordered.

The matter referred to is as follows:

Comparison of income taxes upon specified incomes of married persons under the existing law, the Senate bill, and the proposed substitute bill.

Income.	Existing law.		Senate bill.		Substitute bill.	
	Amount.	Rate per cent of entire income.	Amount.	Rate per cent of entire income.	Amount.	Rate per cent of entire income.
$2,500	$10	0.40	$30	1.20	$10	0.40
$3,000	20	.67	60	2.00	20	.67
$3,500	30	.86	90	2.57	30	.86
$4,000	40	1.00	120	3.00	40	1.00
$4,500	60	1.33	120	3.33	50	1.11
$5,000	80	1.60	150	3.60	60	1.20
$5,500	105	1.91	215	3.19	95	1.73
$6,000	130	2.16	250	4.16	130	2.17
$6,500	155	2.38	320	4.92	165	2.54
$7,000	180	2.57	390	5.57	200	2.86
$7,500	205	2.73	460	6.13	235	3.13
$8,000	235	2.93	530	6.63	285	3.56
$8,500	265	3.12	605	7.12	335	3.94
$9,000	295	3.28	680	7.71	385	4.28
$9,500	325	3.42	755	7.95	435	4.58
$10,000	355	3.55	830	8.30	485	4.85
$12,500	530	4.24	1,235	9.88	860	6.88
$15,000	730	4.87	1,670	11.13	1,235	8.23
$20,000	1,180	5.90	2,630	12.15	2,335	11.67
$25,000	1,780	7.12	3,720	14.80	3,935	15.74
$30,000	2,380	7.93	4,930	16.43	6,285	20.95
$35,000	2,980	8.51	6,270	17.91	8,635	24.67
$40,000	3,580	8.95	7,730	19.33	10,985	27.46
$45,000	4,380	9.73	9,320	20.71	13,335	29.63
$50,000	5,180	10.36	11,030	22.06	15,685	31.37
$60,000	6,780	11.30	14,830	24.71	21,585	35.97
$70,000	8,880	12.69	19,130	27.33	27,485	39.26
$80,000	10,980	13.72	23,930	29.81	34,035	42.54
$100,000	16,180	16.18	35,030	35.03	48,435	48.44
$150,000	31,680	21.12	37,030	44.69	86,935	57.96
$200,000	49,180	24.59	101,030	50.52	125,435	62.72
$300,000	92,680	30.89	173,030	57.68	203,435	67.81
$500,000	192,680	38.54	323,030	64.60	361,435	72.29
$1,000,000	475,180	47.52	703,030	70.30	761,435	76.14
$5,000,000	3,140,180	62.80	3,783,030	75.66	3,961,435	79.23

Mr. LA FOLLETTE. Mr. President, the normal tax of the committee bill will raise $114,000,000, while under the substitute it is estimated to produce only $70,000,000. I have reduced the normal income tax in order to relieve the tax upon incomes of people of modest means. I have reduced the income tax proposed by the committee bill, but I make it up on the surtax on the rich. A large portion of this loss in revenue is made by the big decrease in the normal taxes upon the smaller incomes.

While it is true the man of large income under the terms of the substitute bill would pay the normal income tax at the same rate as the man of small incomes the substitute bill does not permit him to escape.

I also present and ask to have inserted in the RECORD a further table showing the surtax rates, and the revenues which will be produced from individual incomes at each step under the substitute bill.

It will be observed that the total revenues produced under the substitute bill from individual incomes is $1,714,510,000 as against $1,432,000,000 under the Senate bill.

I ask, Mr. President, to have incorporated in my remarks the table which I have here, without reading.

The PRESIDING OFFICER. Without objection, it is so ordered.

The table referred to is as follows:

Net income.	Taxable income.	Rate.	Revenue.
		Per ct.	
$5,000 to $7,500	$675,000,000	5	$33,750,000
$7,500 to $10,000	340,000,000	8	27,200,000
$10,000 to $15,000	474,000,000	13	61,620,000
$15,000 to $20,000	315,000,000	20	63,000,000
$20,000 to $25,000	225,000,000	30	67,000,000
$25,000 to $50,000	615,000,000	45	276,750,000
$50,000 to $75,000	240,000,000	57	136,800,000
$75,000 to $100,000	220,000,000	70	154,000,000
$100,000 to $200,000	394,000,000	75	295,500,000
$200,000 to $300,000	185,000,000	76	140,000,000
$300,000 to $500,000	163,000,000	77	125,000,000
Over $500,000	426,000,000	78	332,280,000
Total	7,400,000,000		1,714,510,000
Normal Tax		2	70,000,000
Return (estimated) under bill			1,784,510,000
			1,432,000,000
Increase			352,510,000

Mr. LA FOLLETTE. The surtax of the Senate committee bill, according to the estimate of revenue, will yield in the one-year period $1,018,000,000.

The surtax of the substitute bill, it is estimated, will yield revenue in the same period to the amount of $1,644,510,000.

This is an increase in revenue under the surtax rates of $626,000,000.

Every dollar of this increase comes from incomes in excess of $5,000, and the great bulk of the increase is from incomes in excess of $25,000,000 per year. The rate of the tax on the incomes increases as the incomes increase.

While relieving the small taxpayer, the tax to be collected under both the normal and the surtax sections by the rates of the substitute will exceed the amount of the committee bill by $352,510,000.

Now I will briefly explain in detail the increases which my substitute makes in the tax on individual incomes. Senators will more readily follow what I shall now present if they refer to the first table printed on page 696 of the CONGRESSIONAL RECORD.

From a study of that table it will be observed that starting with incomes of $2,500 the tax under the Senate bill is $30; under the substitute $10; and that the substitute carries the same tax for this income as does the existing law. On incomes of $4,000 the tax in the substitute bill and the existing law are the same—$40—while the tax under the Senate bill is $120—three times the amount.

Incomes of $4,500 are taxed under existing law at $60, under the Senate bill at $120, and under the substitute bill at $50.

Incomes of $5,000 are taxed under existing law at $80, under the Senate bill at $150, and under the substitute at $60.

Incomes of $5,500 are taxed under existing law at $105, under the Senate bill at $215, and under the substitute at $95.

Incomes of $6,000 are taxed under existing law at $130, under the Senate bill at $250, and under the substitute at $130, the same as the existing law.

From this point on, however, the tax proposed in the substitute bill at every bracket is substantially greater than that under existing law.

At the bracket on incomes of $25,000 the tax under the substitute bill overtakes and passes the tax under the Senate bill. The tax under the Senate bill on incomes of $25,000 is $3,720, and under the substitute bill $3,935. From this point on the tax under the substitute bill rapidly draws away from that imposed by the Senate bill. At $100,000 the substitute bill imposes a tax of $48,435, and the Senate bill only imposes a tax of $35,030.

The justification for this change seems too plain for argument. Upon no class has this war borne more heavy than the man with a small income, with a family to support out of it. Before the war his income and living expenses were about even. His ambition and hope was to save a little by economy and frugal living, and put by something for his family as a protection against sickness, old age, or death. It is from this class that the war has taken a large toll in the way of actual military service, but even more serious than that is the hardship which it has brought to them in the greatly increased cost of living with no

corresponding increase in income. To a man in this position the difference between fifty and a hundred dollars in his income tax is a serious matter. It may well make the difference between actual privation and suffering and a reasonable degree of comfort.

On the other hand, a man with an income of $25,000 or more may be a little inconvenienced by an increase in his income tax, but neither he nor his family are going to suffer any real privation on account of it. Even if the tax should make it necessary for a man with a hundred thousand dollars of income to dispense with a few luxuries, it will not do him or the country any harm, and, as a matter of fact, a large portion of those fortunate individuals who are in the enjoyment of incomes of that character at the present time have in one way or another made a profit out of this war.

There is no war-profit tax for individuals, except as it may reach them under this greatly increased rate of taxation on the larger incomes such as I have provided for in the substitute bill. Under the Senate bill there can be no doubt that hundreds of millions of dollars made by individuals out of this war—middlemen, agents, contractors, and the like—escape all taxation upon profits made out of the war, except as taken as an income tax, and justifies its being levied at a high rate.

CORPORATION TAX—STRIKING OUT $2,000 SPECIFIC EXEMPTION.

I have explained, Mr. President, quite in detail the operation of the rates which are proposed in the income-tax section of the bill. I come now to the corporation tax.

In the tax upon corporations the substitute bill recurs to the rates and form of the bill as it passed the House. Upon the net income of corporations from which dividends are paid or to discharge bonded indebtedness or to buy obligations of the United States the rate is 12 per cent. This is the same rate which all the net income, including the portion used for these purposes, pays under the rates of the pending bill. Upon all the balance of the net income the substitute rate is 18 per cent. This is higher than the rate of the pending bill and would reach net income not distributed for the foregoing purposes.

The substitute strikes out that portion of section 236 that aims to specifically exempt from taxation $2,000 of the income of corporations.

I call the attention of the Senate to that, for I think that is a material consideration which you ought to have in mind in voting for or against the substitute which I propose.

This is the first appearance of such an exemption in a bill proposing to levy a tax upon the incomes of corporations. The first corporation income-tax statute was enacted to apply to corporations with a net income in excess of $5,000 per annum. But the act of 1913 and the acts of 1917 levied a tax upon all corporations and made no distinction or granted no exemption such as is carried in line 10, page 62, of the Senate bill, allowing this exemption of $2,000.

That line means a saving to the corporations and a loss in revenue to the Government of nearly $100,000,000.

In 1916, 341,253 corporations made returns of income to the Treasury. It is estimated that at the present time there are upward of 400,000 corporations in the United States. This provision means that each corporation shall not be required to pay tax upon $2,000 of its income. That means to each corporation a saving of $240. It is not a great amount in the case of any one company, but this "relief" to 400,000 corporations means a loss of $96,000,000 in revenue to the Government.

So far I have heard no sound reason advanced to justify this exemption. Because an exemption of $2,000 is granted to married persons under the individual income-tax provisions is not a reason to justify the granting of such an exemption to a corporation.

Individual exemptions are based upon a very different principle than are the exemptions of corporations. Recent years have emphasized the need of the State to encourage the family relation. The $2,000 individual income free from income tax is made free so there may be assured to the family enough to aid in meeting living expenses.

But when this exemption is granted the law at the same time provides as does this bill at line 24, page 30:

> That in computing the net income no deduction shall in any case be allowed in respect of—
> (a) Personal, living, or family expenses.

But the corporation is permitted to make deduction for its living expenses. In the ascertainment of its net income a corporation is permitted to deduct—

> All the ordinary and necessary expenses paid or incurred during the taxable year * * * including a reasonable allowance for salaries * * * for personal service * * * and including rentals, etc. (Sec. 234, p. 54.)

Rent and payments made for personal service form a large part of the expense of every family. If the individual in addition to his specific exemption were permitted to deduct from his gross income the amounts expended for these items or the expenses incurred to carry the family over the year as the corporation is permitted to deduct the expenses incurred in carrying on its trade or business, there would be little left of any ordinary family income of $3,000 to fall into the class of taxable income.

As the corporation in computing its net income is given these allowances denied to the individual in computing his taxable income, the corporation should not in addition be permitted to escape tax upon $2,000 of its net income.

This is a discrimination that should be wiped out of the bill. It is a trifling matter to even the very small corporations; it is of no consequence to the large companies, and it means a good slice of income to the Government, amounting, as I have said, to $96,000,000 in the aggregate.

WAR-PROFITS TAX.

The next fundamental change my substitute proposes to make in the pending bill relates to the war and excess profits tax. The provisions of the pending bill, commencing at page 83 and dealing with war excess-profits taxes of corporations, are, to say the least, very remarkable. On their face these provisions of the Senate bill seem to bear some relation to an 80 per cent tax on war profits made by corporations. As a matter of fact, however, they impose no such tax.

The chairman of the Finance Committee stated in the course of the debate on Saturday:

> Nobody ever supposed that even the war-profits tax of 80 per cent would in practical operation be more than 70 per cent upon war incomes.

Mr. President, that statement is true, and it is true because of the unreasonable deductions from the net income of corporations permitted before the war-profits tax is levied. Each corporation is permitted to deduct from its net income for the taxable year its war profits; that is, the average profit for the prewar period. If these average profits fall short of 10 per cent of the capital for the prewar period, then the actual prewar profits are increased to 10 per cent of the capital. To this sum is added $3,000 specific exemption.

So, then, the war-profits tax would be levied under the following formula:

Net income minus the average prewar income, but not less than 10 per cent of the invested capital minus $3,000, shall pay a war-profits tax of 80 per cent.

The theoretic maximum under the pending bill is a tax of 80 per cent on 90 per cent of the war profits, less $3,000, or about 70 per cent.

But the general public do not understand this, and when they read that there is a tax rate of 80 per cent on war profits they accept that to mean that after taking out of the net income an amount equal to the prewar profits the remainder is taxed at 80 per cent.

As a matter of fact, while the pending bill contains this rate, there is no 80 per cent tax on war profits.

It is true that under the pending bill the war excess-profits tax is the sum of the amounts levied under the rates of the three brackets. But if the exemption of $3,000 and the 10 per cent of invested capital were eliminated from the credits allowed under the third bracket, and the credit confined to the average of the actual prewar-period income, and the cushion provisions were eliminated, then as to all the corporations reached by this bracket it would be an 80 per cent war-profits tax.

Now, as to the estimate of $5,000,000,000 of war profits and that the tax under the war excess-profits bracket of the pending bill is only 48 per cent of that amount, the Senator from Utah said that the estimate which I made "includes all of the business of the country, some of which does not pay any excess war-profits taxes."

In arriving at that estimate I have taken all the taxes levied under the war excess-profits section of the pending bill—that is, all the taxes paid as excess-profits taxes and all taxes paid as war-profits taxes and credit all these taxes as war-profits taxes. Taking all these taxes together, the result is a tax equal to about 48 per cent of the amount of the war profits. I do not mean that the pending bill levies a war-profits tax of 48 per cent. Far from that. The total of the taxes under the two excess-profits brackets plus the amount of the war-profits bracket will equal 48 per cent of the war profits.

The first year that corporations made income-tax returns to the Federal Government was 1909. The following table shows the corporate net income from 1909 to date:

Corporate net income, 1909 to 1918.

Year:	Net income.
1909	$3,600,000,000
1910	3,761,000,000
1911	3,503,000,000
1912	4,151,000,000
1913	4,714,000,000
1914	3,940,000,000
1915	5,310,000,000
1916	8,765,900,000
1917 (estimated)	10,500,000,000
1918 (estimated)	10,000,000,000

The estimate of $10,500,000,000 corporate net income for 1917 and $10,000,000,000 for 1918 are made by the Treasury Department and can be safely relied on as not being too high. That the estimate of $5,000,000,000 war profits made by corporations during the taxable year is a reasonable estimate is asserted by the Treasury expert, and also appears from a comparison of the net income of corporations during the war with their prewar net income.

The total net income for the three years 1911, 1912, and 1913 adopted as the prewar years of all corporations was $12,368,000,000. The average annual net income for the three years was, therefore, $4,122,666,000. This, deducted from the $10,000,000,000 net income of corporations for 1918, leaves $5,877,334,000 in excess of the average of all the corporation profits for the three prewar years. Making allowance for the normal net income of new corporations—corporations that were not in existence during any of the prewar period—and for growth of existing corporations it is plain that the war profits must still account for at least $5,000,000,000 of the net income of $10,000,000,000 for 1918.

The suggestion is made that in making the estimate of $5,000,000,000 of war profits for 1918 allowance was not made for earnings of new corporations or new capital invested by old corporations. All adequate allowance was made for this purpose. The Treasury estimated the net income of corporations for the year 1918, and this is the basis of my estimate.

Corporation net income, 1918, Treasury estimate		$10,000,000,000
Average of corporate net income for years 1911, 1912, and 1913		4,122,666,000
Excess of 1918 over prewar income		5,877,334,000
Allowance for earnings upon new capital (estimated)		877,334,000
War profits		5,000,000,000

This allowance of $877,334,000 to cover the earnings of new capital exempted from war-profits taxation is, in my view, reasonable. Capitalized at 8 per cent, the rate allowed by the pending bill to corporations before levying the excess-profits tax under brackets Nos. 1 and 2, it would allow for a return on $10,966,675,000 of new capital.

Capitalized at 10 per cent, it allows for a return on $8,777,334,000 of new capital.

The Treasury expert has stated to me that the average net income return in the prewar period represents a return of about 10 per cent upon the capital. So, depending upon the rate per cent at which this allowance is capitalized, it takes care of an increase of the prewar capital of from 20 to 25 per cent. This, I take it, is ample to cover the growth of the war period.

It is to be remembered also that the above table takes no account of the vast sums made by individuals and partnerships out of the war.

HOW RATES OF PENDING BILL ARE APPLIED.

Now, it is only claimed for the pending bill and the report accompanying it submitted by the majority of the committee that the bill produces $2,400,000,000 in revenues from war excess profits. Obviously, therefore, the Senate bill does not impose an 80 per cent tax upon war profits, or anything approximating that.

An illustration of a typical corporation will show just how the provisions of the Senate bill work out when actually applied.

Upon a corporation having a capital of $100,000, prewar profits of $10,000 and profits for the taxable year of $150,000, the tax under paragraph 301 would be $109,600 and under paragraph 320, $4,608, making a total tax of $114,208, or 76.14 per cent. But when the "cushions" are applied, this tax is reduced and this corporation would pay a war excess-profits tax of only 45½ per cent and a total tax of 51.7 per cent.

Mr. President, I have here a table, in which I work out in detail the calculations under the provision which I am now considering. These I ask to print without reading.

The PRESIDING OFFICER. Without objection, it is so ordered.

The matter referred to is as follows:

Corporation:		
Capital		$100,000
Prewar profits		10,000
Taxable-year profits		150,000
Under bracket 1:		
Deduct 8 per cent of capital		$8,000
Specific deduction		3,000
Total deduction		11,000
Taxable profits under bracket 1:		
20 per cent of capital	$20,000	
Less deduction	11,000	
	9,000	
Tax on $9,000 at 30 per cent		2,700
Total tax under No. 1		2,700
Under bracket 2:		
Taxable profits	150,000	
Less profits included in bracket 1	20,000	
	130,000	
$130,000 at 60 per cent		78,000
Total under No. 1 and No. 2		80,700
Under bracket 3:		
Deduction 10 per cent of capital	10,000	
Specific deduction	3,000	
Total	13,000	
Profits	$150,000	
Less deduction	13,000	
Taxable	137,000	
Tax on $137,000 at 80 per cent	109,600	
Less tax under No. 1 and No. 2	80,700	
Total under No. 3		28,900
Total under 1, 2, and 3		109,600
Percentage of war excess profits	per cent	73.66
Corporation income tax:		
Profits		150,000
Deduction—		
Excess and war profits	$109,600	
Specific deduction	2,000	
		111,600
Taxable		38,400
$38,400 at 12 per cent		4,608
Total tax:		
Bracket 1		2,700
Bracket 2		78,000
Bracket 3		28,900
Corporation income tax		4,608
Total		114,208
Percentage		76,14

METHOD OF ASSESSING WAR EXCESS PROFITS ILLUSTRATED.

Mr. LA FOLLETTE. In other words, this is a corporation with $100,000 capital, a prewar average net income of $10,000, and for the taxable year a net income of $150,000.

Under the first bracket of paragraph 301 a tax of 30 per cent is levied upon the net income in excess of the excess-profits credits allowed under section 312. These credits are:

(1) Eight per cent of invested capital for the taxable year. In this instance $8,000; and

(2) A specific exemption of $3,000, making a total credit of $11,000.

This $11,000 is not taxable. There is taxable under bracket No. 1 excess profits in excess of this $11,000, and not in excess of 20 per cent of the invested capital. In other words, the capital is $100,000, and 20 per cent of that is $20,000. The difference between this and the credit of $11,000—$9,000—is the amount taxed under the first bracket. This is taxable at 30 per cent, so the revenue derived under this bracket would amount to $2,700.

Under the second bracket there is taxable all of the net income in excess of 20 per cent of the capital and in excess of the deduction—in this case the difference between $20,000 and $150,000—leaving $130,000 taxable at 60 per cent. The tax on this would be $78,000, and the total tax under brackets No. 1 and No. 2, $80,700.

Under bracket No. 3, which carries the 80 per cent clause, a different deduction is made. Under section 311 the war-profits credits allowed is a specific exemption of $3,000, and an amount equal to the prewar period income of the corporations, but in no instance less than 10 per cent of its invested capital. In this instance this deduction would be $10,000, the average prewar profits plus the specific deduction of $3,000 making the total of war credits to be deducted $13,000. Under the terms of bracket No. 3 the profits to be taxed are the total profits of the corporation less the deduction—$150,000 less $13,000, making $137,000 of taxable profits. At 80 per cent this would amount to $109,600. The bracket provides that there shall be levied under it the sum, if any, by which this 80 per cent exceeds the amount of the tax computed under the first and second brackets. The tax computed under the first and second brackets amounted to $80,700. This deducted from $109,600 leaves to be assessed under bracket No. 3 $28,900.

The total tax under brackets 1, 2, and 3 would amount to $109,600, which is the total excess and war profits tax levied upon the corporation.

But besides this war excess-profits tax the corporation is also subject to the corporation income tax under section 230. All of its net income for the year 1918 in excess of the credits provided in section 236 are to be taxed at 12 per cent. Section 236 provides that there shall be a credit allowed:

(1) For the amount of taxes imposed under title 3, which contains section 301, under which the war excess-profits tax is levied, so that while the total profits of the corporation amounted to $150,000, it is subject to the following deductions:

First, the taxes computed under section 301, amounting to $109,600; and, second, a specific deduction of $2,000 (section 236 (c)). In this instance the total deduction amounts to $111,600, which, subtracted from the $150,000 of profits, fixes the amount taxable under section 230, the corporation income-tax section, at $38,400. Taxed at 12 per cent, the revenue would be $4,608.

This added to the tax under the first, second, and third brackets of section 301 would bring the total tax of this corporation to $114,208, which is 76.138 per cent of the profits.

This would leave this corporation after all taxes are paid an income three and one-half times as great as its prewar income. It would give it a net income after deductions for taxes of $35,792 as against its prewar income of $10,000.

If this bill really taxes such a corporation 76 per cent of its profits, while it would still be short of the full measure of the contribution which such a war-profiteering concern should make to the Government, it would approach an 80 per cent war tax.

HOW THE "CUSHION" OPERATES.

However, the bill can not be correctly understood by merely applying these rates. There are other provisions which open the door wide for corporations to escape their just taxes. In the case of this corporation, it would claim exemption under paragraph (e) of section 327 and would be taxed under the provisions of section 328.

Paragraph (e), section 327, provides, where the invested capital is materially disproportionate to the net income of representative corporations engaged in like or similar trade or business, because—

(1) The capital employed, although a material factor, is very small or is in large part borrowed.

The tax is to be determined as provided in section 328 and shall be—

The amount which bears the same ratio to the net income of the taxpayer * * * for the taxable year as the average tax of representative corporations engaged in a like or similar trade or business bears to the average net income * * * for such year.

In this typical case the profits of $150,000 amount to 150 per cent of the capital, while it is assumed the net income of representative corporations engaged in a like or similar business is only 30 per cent.

Then this "cushion" provision would be applied as follows under section 328:

Corporations with a present and prewar capital of $100,000, prewar average annual net income $10,000; net income for the taxable year $150,000.

War excess-profits tax under section 301, $109,600, or 73⅜ per cent.

War excess-profits tax of corporations engaged in like or similar business as computed by the Treasury actuary, 45½ per cent.

This latter percentage would apply, so instead of paying a war excess-profits tax of 73⅜ per cent it would pay 45½ per cent. Instead of paying out of its profits of $150,000 $109,600 war excess-profits taxes it would pay $68,000 and would thus save $41,600, a saving of 41.6 per cent on the capital.

In addition, the corporation would pay taxes under section 230. If taxed on war excess profits under section 328, the taxes assessed under section 230 would be a different amount than if the war excess-profits tax was assessed under section 301. With war excess profits taxed under section 328 the tax under section 230 would be computed as follows:

Taxable profits $150,000 less the taxes assessed under section 328, $68,000, less specific exemption of paragraph (e) section 236, $2,000, a total deduction of $70,000, leaving $80,000 to be taxed at 12 per cent, which would yield revenue of $9,600.

So this corporation would pay under section 328, $68,000, and under section 230, $9,600, a total tax of $77,600.

The tax if levied under sections 301 and 230 would be $114,208.

With the "cushion" operating it would mean a saving on the total tax of $36,608, or 36.6 per cent of the capital.

Under these "cushion" provisions out of its $150,000 of profits this corporation would have left after paying its taxes $72,400, or in excess of seven times its peace-time profits.

The total tax assessed under sections 301 and 230 would be 76.14 per cent of the profits, but after applying the cushions under sections 328 and 230 would be only 51.7 per cent of the profits.

The basis of all income-tax laws of the United States has been to tax large incomes at a higher rate than smaller incomes. Also the basis of our excess-profits tax laws has been to tax large profits at a higher rate than small profits.

The relief provisions in this bill change this basis, and tax large incomes and enormous profits at the same rate as are taxed small incomes and small profits.

The relief provisions of this bill are intended to act so that every taxpayer will have an ample profit or income free from all taxation. No provision has been added to the bill, however, that will similarly take care of the Government's side as to revenue. Instead of the rates being increased they have actually been reduced. If increased, no harm could happen to the taxpayer because of the relief provisions.

Consequently, every relief provision not only protects the taxpayer against a heavy tax but also reduces the revenue to the Government, not only from the very small percentage of cases that the bill is intended to relieve, but it affects the very large percentage of taxpayers who, without these provisions, would pay only an adequate tax. If these relief measures were actually intended to relieve hardship only, the rates of tax would have been increased so as to take care of the revenue situation. But the rates have remained or have been reduced from the rates fixed in the bill as it passed the House.

I have illustrated the workings of one of these "relief" provisions. It is not my purpose to set out in detail all of these provisions, but I shall briefly outline the way in which some of the more important will operate to decrease the taxable profits or reduce the tax rate.

PERSONAL-SERVICE CORPORATIONS.

The first of these "cushion" provisions will be found on page 4 of the bill, lines 20 to 26, in the definition of the term "personal-service corporation." This is defined to mean a corporation the income of which is ascribed primarily to the activities of the principal owners or stockholders who are themselves regularly engaged in the active conduct of the affairs of the corporation, and in which capital is not a material income-producing factor.

That definition must be taken in connection with paragraph 8, page 34, and subdivision (14), page 52, which exempts personal-service corporations from taxation under the income-tax provisions, paragraph 8, page 34, and paragraph 304, page 88, which exempts such corporations from all profits tax. The provision with respect to the taxation of partnerships is made to apply in so far as practicable to such corporations and the stockholders thereof. The provision with respect to partnerships, section 218, is that partners shall be liable for income tax only in their individual capacity, and partnerships as such are not subject to war excess-profits taxes; so that personal-service corporations are thereby relieved from paying war-profits taxes. Many personal-service corporations have made enormous profits out of the war.

This is especially true of engineering corporations. Take, for example, an engineering corporation that has a capital of, say, $50,000 and for the three years prior to the war had an average net income of $100,000, and during this taxable year had an income of $1,000,000. This increased income was made possible for this corporation because it designed and superintended the construction of plants devoted to war production. In this instance the war profits of this concern would be $900,000 due entirely to the war, yet this $900,000 wholly escapes war excess-profits taxes.

EXCHANGE OF PROPERTY.

The second cushion to ease off the taxes will be found on page 7, paragraph (b), which reads as follows:

When property is exchanged for other property, the property received in exchange shall for the purpose of determining gain or loss be treated as the equivalent of cash to the amount of its fair market value, if any; but when in connection with the reorganization, merger, or consolidation of a corporation a person receives in place of stock or securities owned by him new stock or securities of no greater aggregate par or face value, or when a person or persons owning property receive in exchange for such property stock of a corporation formed to take over such property, no gain or loss shall be deemed to occur from the exchange, and the new stock or securities received shall be treated as taking the place of the stock, securities, or property exchanged.

Take, for example, two corporations each with an invested capital of $100,000, for which the stockholders paid in cash. Each of the corporations after some years had accumulated a surplus, so that their invested capital amounted to $200,000. The (a) corporation swallows the (b) corporation. The corporation is reorganized and there is exchanged the stock in the old corporation for stock in the new corporation, and for the purpose of determining loss and gain this old stock of corporation

(a) may be treated as the equivalent of cash to the amount of its fair market value. In other words, the fair market value of this property for which each stockholder paid $100 is now $200, and in this exchange of property each stockholder may receive not $100 worth of stock but $200 worth of stock, and this addition to his income—100 per cent—is not subject to taxation. Under the existing law and without this cushion in the bill this increased value when so distributed would be subject to taxation.

NET LOSSES.

On pages 8 and 9 of the bill will be found the sections covering the net loss cushion. This has been fully discussed on the floor, and permits a man who has made a mistake which resulted in a loss in his business during any taxable year ending after January 1, 1919, to recompute the taxes for the preceding year and then to recoup his loss by deducting the amount out of the taxes for that taxable year, and if his taxes for that taxable year be not sufficient to fully recompense him, then he may have a credit against his taxes for the succeeding year.

In case the loss was made during any taxable year beginning after December 31, 1916, and ending not later than December 31, 1918, such loss shall be allowed as a deduction in computing the net income of the taxpayer for the succeeding taxable year.

In other words, it is saddling onto the Government the mistakes and losses which may occur and which may not be deducted during the taxable year.

SALE OF MINES OR OIL AND GAS WELLS.

Page 18, line 3, reads as follows:

(b) In the case of a bona fide sale of mines, oil or gas wells, or any interest therein, where the principal value of the property has been demonstrated by prospecting or exploration and discovery work done by the taxpayer, the portion of the tax imposed by this section attributable to such sale shall not exceed 20 per centum of the selling price of such property or interest.

Applying this, let us assume that a prospector finds a mine or an oil or gas well, and in demonstrating the value of that property, allowing him full compensation for his time and for everything expended for this purpose, his total investment is $50,000.

Assume that he sells this property at $1,000,000. This leaves him a profit of $950,000. Under the terms of the income-tax section and without this cushion his tax would be about $700,000, but the above cushion comes into operation and it limits his tax by saying that the portion of the tax imposed by this section attributable to such sale shall not exceed 20 per cent or $190,000—a loss to the Government and a saving to the taxpayer of $510,000. This is how it operates on the big fellow.

But take the case of a little prospector, who spends $1,000 in discovering and proving a mine or oil or gas well, and assume that he sells his property for $31,000, leaving him a net profit of $30,000. Under the terms of the bill his tax would be $4,930. That being less than 20 per cent of the selling price of his property, this cushion does not operate for his benefit. In other words, this cushion operates to reduce the tax of the big operator from 70 per cent of the selling price to 20 per cent, while it leaves the tax on the little operator at 16.53 per cent.

This is not levying a tax in conformity with the rule that should maintain, that an income tax should be levied according to the ability of the person to pay. It aids the person who is so fortunate as to neither need nor deserve any aid, while the small man receives no benefit whatsoever from the cushion.

DEPLETION AND DEPRECIATION OF IMPROVEMENTS OF MINES, OIL AND GAS WELLS, AND TIMBER.

On pages 28 and 58 is the depletion paragraph, which provides in the case of a mine, oil or gas well, and other natural deposits and timber a reasonable allowance for depletion and for depreciation is made. If any individual or a corporation acquired a mine prior to March 1, 1913, in what is known as a proven tract—that is, where there were other mines developed in the same locality—and there was paid for this $100,000, but on March 1, 1913, the fair market value of the property was $1,000,000, then in computing the depreciation such fair market value and not what was actually paid for the property shall be the basis. If the mine or well was acquired after March 1, 1913, by the taxpayer, then not the cost of such acquirement but the fair market value at any time within 12 months after such acquirement shall be taken as the basis for depletion. So that while the purchase price might have been $100,000, after March 1, 1913, if the fair market value at any time within the succeeding year was $1,000,000, then the depreciation allowed would be based upon the latter figure.

Mines have a limited life. In the Joplin district the zinc mines last for from three to five years. Other properties—coal mines, gas or oil wells—have a longer life; but we will say, for example, that this property has a life of five years. Under this provision the taxpayer would be allowed a depreciation of $200,000 per annum. In other words, he would be allowed to deduct annually for five years from his income upon which the tax is computed twice as much as he paid for his property.

On page 29, line 19, and on page 60, line 5, is a paragraph which permits the taxpayer who has for the first time ascertained the amount of loss sustained during the preceding year and not deducted from the gross income for that year, or whose stock of goods is depreciated materially in value due to any shrinkage from the value of the inventory of the preceding year, to deduct such loss from the net income for such preceding taxable year and to have the taxes for that year redetermined, and any amount found to be due to the taxpayer on the basis of such redetermination is credited or refunded to him. The effect of this is that there may be a large stock of goods bought upon a high market, the market declined and the goods are still on the shelves. They are unsold. The tax for the preceding year can be redetermined and this loss recouped. It makes the Government the insurer of business judgment.

AMORTIZATION OF WAR PRODUCTION PLANTS.

(Page 26, subdivision (9), individuals.)
(Page 56, subdivision (8), corporations.)

Under the amortization section an individual or a corporation that constructed a building or acquired machinery or other equipment after April 6, 1917, for the purpose of manufacturing or of producing articles to contribute to the prosecution of the war, or who constructed or acquired vessels for the transportation of articles or men for that purpose, are permitted to annually amortize the cost of their plant without limit; that is, they are permitted to deduct from the income of this year any part or even the total cost of buildings, machinery, equipment, vessels—everything. The House limited the amount that might be deducted for any one year under this heading to 25 per cent of the taxpayer's net income. but the Senate committee struck this limitation from the bill and threw the door wide open.

Under the House bill the Secretary could say that there shall not be allowed any deduction under this heading to exceed 25 per cent, but under the Senate bill there is no limitation on the taxpayer, and he may claim a deduction of 25, 50, 75, or 100 per cent of his net income if the cost of the building or machinery equals that amount.

WIDENS THE EXEMPTION OF ASSOCIATIONS.

The existing law very properly provided for exemption from the corporation-tax section of farmers, fruit growers, and like associations organized and operated for the purpose of marketing their products, and which are operated without profit. These associations are mere selling agents for the individual farmers. In the pending bill, page 51, this very just exemption of the existing law is expanded and the door is thrown open and the opportunity given for the evasion of the corporation-tax law. The provision of the pending bill not only applies to such nonprofiteering associations, but it extends the exemption to include associations that act as selling agents not only for their own members and without profit, but which also sell for nonmembers. Where these associations make profit as the agent of a nonmember, such profit is taxable. But the viciousness of this provision is that membership in such organizations can be had for a mere nominal fee, and individuals who would not ordinarily find it advantageous to belong to such organization will under this provision find it a benefit to be a nominal member in such an association. It is problematic how much loss there may be to the Government in revenue, and there is no need of introducing this uncertainty when every legitimate association of this character is exempted under the existing law.

MAKING THE GOVERNMENT CARRY THE COST OF DEFERRED TAX PAYMENTS.

On pages 69 and 70 of the bill, section 250, there is extended the time for the payment of the income tax so that the last payment for the tax of 1918 need not be made until December 15, 1919.

The income which was taxed was of the year 1918. The tax should be due on the 31st day of December, 1918, and should be paid as soon thereafter as the books of the taxpayer can be closed and the return made. The existing law gives the taxpayer until June 15 in order to make certain that all of the taxes would be in the Treasury prior to the end of the fiscal year.

Anticipating a heavy war tax both on incomes and on profits for the year 1918, Treasury certificates were sold, so as to make it easy for the taxpayer. As the taxpayer accumulated his income during 1918, he laid aside a portion to meet the income taxes, and could invest it in Treasury certificates, such certificates bearing interest at from 2 to 4½ per cent, but practically all at 4½ per cent, so that the taxpayer, on the sum he had laid aside for payment of his taxes, could earn income up to the time that he would turn in the certificates, as the cer-

tificates are receivable for taxes. But this provision of extending these payments will put a loss of $20,000,000 onto the Government. Instead of collecting the money which these big corporations have laid aside during 1918 to pay their taxes for that year, they will extend their payments until December, and the Government in the meantime will have to issue certificates of indebtedness in anticipation of these payments. On these certificates of indebtedness, the face of which will be about $2,000,000,000, the average interest will be at least 1 per cent, so that it will mean an interest, taking into account the time for which it will run, charge of $20,000,000, which will amount to a bonus to the taxpayer. The little taxpayer will pay his taxes in cash, without taking advantage of these extension provisions, and it is only the concerns with big amounts involved that will be benefited.

RELIEF FOR SMALL CORPORATIONS.

The House bill and the pending bill contain provisions excepting certain corporations from the rates of taxation provided under the brackets of the war excess-profits tax. In discussing some of the "cushion" provisions I called attention to a few of these, and I will not again cover that ground.

The House bill would tax a corporation with an invested capital of not more than $25,000, 35 per cent of its net income in excess of $3,000. This was the same rate it applied to other corporations by the first excess-profits bracket, but in the case of other corporations the rate is limited to apply to profits not in excess of 15 per cent of the capital plus that $3,000 exemption.

In the case of corporations with a capital of more than $25,000, but not more than $50,000, the rate of taxation as fixed by the House bill is 40 per cent of the net income, less a specific deduction of $3,000. Under the terms of the House bill, with a specific exemption of $3,000, plus 8 per cent earning allowed upon the capital, there seems to be no reason why corporations of this class should not take the same rates as other corporations.

The pending bill provides that the war excess-profits tax on corporations shall in no case be more than 30 per cent of the net income in excess of $20,000. This is a cushion unnecessary, unjustifiable, because it permits corporations to retain inordinately large profits, though made out of war, and it is stricken from the substitute bill.

The substitute bill restores the House section which limits the tax which may be levied on personal service corporations to 20 per cent of its net income, but makes an exception in that it shall not apply to a corporation with a capital of more than $100,000, 50 per cent of the gross income of which consists of gains or profits derived from purchase, sale, or commissions from Government contracts. In such case, under the provision of the House bill, these corporations would be taxed on their profits as are other corporations.

The pending bill strikes out the House limitation and would also write into law a rule dividing the income of a corporation partly derived from capital and partly derived from personal service, and the tax rate is computed on that portion of the income earned by capital provided 30 per cent of the income is derived from personal service. Then the rate based on a part is applied to the whole income. This is a cushion which will permit many contracting corporations that have made large profits out of Government contracts to escape payment of just war excess profits at the same rate as other corporations that have made such profits.

The substitute bill recurs to the language of the House bill with its specific limitation, as this will afford all the "relief" that any personal-service corporation should be entitled to, while at the same time it will protect the Government in the revenues which it should justly have out of war contracts. In connection with the consideration of this item it should be borne in mind that the Government was compelled to pay high prices on these contracts. It accepted these high prices because in the first place it desired the work to be done quickly and it did not have time to haggle as to prices, and in the second place because, as it was stated and as it appeared in the public press over and over again, the Government counted upon getting back a large share of these excessive prices through the means of a stiff and uncompromising war tax.

CHANGES MADE BY THE SUBSTITUTE BILL.

The substitute bill follows the general form of the House bill up to the tax on beverages. It restores the House rates on estate taxes and a striking out of the inheritance tax as it has been written in by the Senate committee.

The tax on transportation and other facilities, telephone and telegraph messages as contained in the House bill and in the pending bill, are not in the substitute bill.

The tax on insurance in the substitute bill follows the language and rates of the House bill.

The tax on beverages and on tobacco and cigars is the same in the substitute bill and in the pending bill.

The tax on admissions and dues follows the language and rates of the pending bill.

The excise taxes carried under Title IX of the pending bill are included in the substitute bill, but in addition thereto the substitute bill restores the tax upon luxuries as this tax passed the House.

The special taxes under Title X of the pending bill are retained in the substitute bill, as are also the stamp taxes of Title XI.

The tax on employment of child labor is included in the substitute bill, as are also the general administrative provisions of Title XIII.

The general provisions of Title XIV are included in the substitute bill, with the exception that there is stricken therefrom the amendment to section 1101, which would repeal the existing law with respect to fourth-class mail matter.

The foregoing is a brief summary of the differences between the pending bill and the substitute. The result of these changes is to take some of the burden off the men of small incomes and place it where it properly belongs—on the larger incomes.

The substitute bill increases materially the amount of revenue which will be collected under the war excess-profits tax. It is estimated that the rates of the pending bill will produce $2,400,000,000 of war excess-profits revenue, while by the substitute bill there will be raised under this heading at least $3,200,000,000, an increase of $800,000,000.

Every dollar of this revenue will be taken from concerns that have been piling up abnormally high profits, whether these profits are what may be strictly termed war profits or merely the excess profits, over a reasonable return on business.

The substitute bill, by restoring the House provisions with respect to estate taxes, will be capable of producing an estimated revenue of $110,000,000 under this head—an increase of $88,000,000.

The substitute bill, under the heading of special taxes, is estimated to produce $262,805,000, as against $77,805,000, than the rates of the Senate bill under this heading would produce. The reason of this is that there are restored to the bill all of the luxury taxes that were eliminated by the Senate committee. Since I dictated that paragraph I believe the Senate has incorporated the luxury tax in the bill.

Mr. THOMAS. And reduced the amount to 10 per cent.

Mr. LA FOLLETTE. Yes; and has cut the amount in two, the amount that would be secured under the House rates; but I have put it into this substitute at the full amount of 20 per cent. By placing these taxes back in the bill a gain in revenue will be made amounting to $185,000,000.

It is from these items alone, the income tax, war excess-profits tax, estate tax, and luxury taxes, that the substitute bill increases in revenue are derived.

By eliminating the tax upon freight bills, passenger tickets, express and parcel-post packages, telegraph and telephone messages, as will be done if the substitute bill is adopted, there would be a loss in revenue upon this one head of $219,000,000.

But when all the changes are made by the substitute—and every change it proposes is for the purpose of placing the tax where it belongs, on wealth and luxuries that can well afford to bear the tax, and by taking a little off the poor—the total increase in revenue under the substitute bill would be $1,234,510,000.

I submit and ask to have printed in the RECORD a table showing the estimated revenue for the 12-month period under the pending bill and the substitute. These estimates were prepared by the Treasury expert.

The PRESIDING OFFICER. Without objection, it is so ordered.

The matter referred to is as follows:

Estimated revenues under the Senate bill and the La Follette substitute compared for 12-month period.

	Senate bill.	Substitute bill.
Income taxes:		
Normal	$414,000,000	$70,000,000
Surtax	1,018,000,000	1,714,510,000
Corporation tax	772,000,000	700,000,000
War excess-profit tax	2,400,000,000	3,200,000,000
Estate or inheritance taxes	22,000,000	110,000,000
Transportation facilities	219,000,000	
Insurance	17,000,000	17,000,000
Admissions and dues	54,000,000	54,000,000
Excise taxes	198,535,000	198,535,000
Beverages	75,000,000	75,000,000
Tobacco and cigars	240,600,000	240,600,000
Special (luxury taxes)	77,805,000	77,805,000
Stamp taxes	31,000,000	31,000,000
Floor taxes	70,000,000	70,000,000
Total	5,600,940,000	6,743,450,000

WAR EXCESS-PROFITS TAX OF SUBSTITUTE.

Mr. LA FOLLETTE. The computations presented have been submitted to the Treasury expert—in fact, the estimates were prepared by him. I am willing that these estimates should stand as the measure of the revenue-producing power of the substitute bill.

At the same time, in fairness to the Senate, I must express the belief that the revenue that would be derived under the war-profits bracket would be larger than the estimate.

My reasons for this belief are the following:

The estimated revenue under the war excess-profits tax as it passed the House was $3,200,000,000. The substitute bill has practically the House bill rates, but does not permit a corporation taxed under the war-profits method a specific exemption of $3,000, as does the House bill.

It appears to me that the striking out of this exemption must result in a large increase in the revenue that would be derived from war profits.

The 1916 statistics of income, the latest available, show there were 341,253 corporations that made returns of taxable income. This number has greatly increased since that time. It is estimated that this increase is almost 25 per cent, and that there are now about 400,000 corporations in the United States.

Assuming that of these 250,000, or little more than half, would pay a tax under the war-profits bracket, it would mean that 250,000 corporations would each receive under the substitute bill a deduction less by $3,000 than under the Senate or the House bill. In other words, the rates of the substitute bill would apply to $750,000,000 more profits than are taxed under the pending or the House bill.

Seven hundred and fifty million dollars of profits additional to the profits taxed under the war-profits bracket at the rate of 80 per cent would yield additional revenue of $600,000,000.

This $600,000,000 added to the estimated $3,200,000,000 would bring the total yield of revenue under the war excess-profits tax to $3,800,000,000.

That would amount to a war-profits tax of 76 per cent on the estimate of $5,000,000,000 of war profits, and would make the substitute bill produce revenue of $1,734,510,000 in excess of the revenue estimated to be derived under the pending bill.

As I said, I have only endeavored to indicate in a brief way how these relief provisions will operate. Their effect upon the revenues of the Government is clearly indicated by the estimate of the amount of war excess profits to be collected under the pending bill.

In the substitute bill, without making too many changes, I have endeavored to save, and the provisions of the substitute bill will save, to the Government revenue to an amount of from $800,000,000 to $1,400,000,000 out of the tax on war excess profits alone.

Mr. President, I have endeavored to present the more objectionable provisions of the pending bill as I view them and to remedy in some measure its more serious defects by the substitute bill which I have submitted to the consideration of the Senate.

EVERY DOLLAR OF WAR PROFITS SHOULD BE TAKEN.

I would not have it understood that I regard the substitute bill as the best measure that might be drawn to meet present requirements. Far from it. A just measure would allow no man or corporation to retain a dollar of profits made directly out of this war.

Thousands of letters are coming to us daily from the families of soldiers who are being supported by charity because the Government has failed to pay to these dependent ones the insurance and allotments to which they are entitled.

The suffering resulting is appalling. I make reference to it in this connection solely to remind Senators how near the limit of destitution and suffering a great mass of people in this country are actually living.

When a family so situated gives up the father and the sons to the service of the Government, they give everything. They give all their income when they give the power that produces that income. If the rich gave all of their income and loaned the Government all of their capital, they would give no more to support the war than the hundreds of thousands whose fathers and brothers were taken for this war service.

I would take every dollar of war profits, leaving business its enormous prewar profits and its capital untouched.

I would take all of the incomes over enough to enable the owner of the income to support his family in comfort.

But, sir, I know that such a bill would receive little support in this body.

I have therefore offered a substitute bill that is far short of the requirements that justice demands.

I desire a record vote whenever the Senate is ready to pass upon the adoption or rejection of my substitute.

Mr. President, in view of the unexpected progress made with the consideration of this bill since it was reported to the Senate it appeared that all committee amendments might be disposed of and that we might reach the parliamentary situation where I could present my substitute bill for argument and secure a vote upon it during Saturday's session. As I could avail myself of computations already made by the Treasury experts by adopting the form of the pending bill with respect to the tax upon excess and war profits, and thus expedite the preparation of my substitute bill, I prepared my substitute on that basis.

While not in conformity with my idea of a properly drafted war-revenue bill, I took that course under the circumstances and made such changes in the pending bill as would levy a higher rate of taxation upon excess profits and would bring under the war-profits bracket the actual war profits, without any deduction made with respect to a percentage of the capital or any specific deduction.

As the bill was not disposed of in its consideration before the Senate in Committee of the Whole Saturday night, I have had time to work out a substitute plan for a flat 80 per cent war-profits tax.

That is a variation from the printed substitute, and I am now calling attention to it.

As this flat tax on war profits takes no account of the so-called excess profits, I have recurred to the provision of the House bill taxing the net income of corporations. Under this provision such portion of the net income as is used to pay dividends, the discharge of bonds or other interest-bearing obligations, and any amount expended to purchase obligations of the United States will be taxed at 12 per cent, and all the net income in excess of amounts thus expended would be taxed at 18 per cent.

The result of these changes would be to bring a very substantial increase in the revenue that would be derived under the bill.

It is true that under this plan the profits of a great number of concerns that made exceptionally large earnings in the prewar period but had no increase in earnings during the taxable year would not be subject to quite as high a rate of taxation as would those same corporations if taxed under the provisions of the pending bill or the provisions of the House bill. This is because the substitute as framed makes no provision for the taxation of excess profits and is based wholly upon the idea that the profits that should bear the high rate of taxation for war purposes are the profits that are made out of war.

This conforms to the fundamental idea of a war-profits tax. It will bear equally upon the large and the small corporations. It will touch no corporation that did not make profits out of war. It is ascertained by subtracting the average net income of the corporation for the prewar period from the net income of the taxable year, and taxing the difference at the rate of 80 per cent. It is a tax easy to administer. It will take no toll except that which should be taken. It would do no harm if it was placed as high as 90 per cent or 100 per cent, because the corporation would be left an amount equal to its peace-time profit.

I will say, Mr. President, as my conception of fair taxation, that no dollar of profit should be permitted to accrue to any man or to any corporation out of this war.

As for corporations that did not exist in the prewar period, their war profits are to be determined by comparison with the war profits of representative corporations doing a like business. As to corporations that have added or withdrawn new capital, they are permitted a deduction plus or minus 10 per cent of the capital withdrawn or added. Under the determination with respect to the war profits of 1918 and levying an 80 per cent tax on same, this substitute would therefore yield 80 per cent of $5,000,000,000 of war profits, or $4,000,000,000 of revenue.

Under the excess and war profits bracket of the pending bill it is estimated that the revenue will amount to $2,400,000,000; with the change which I would make there would be an increase in revenue which will amount to $1,400,000,000.

Mr. KENYON. May I ask the Senator a question?

Mr. LA FOLLETTE. Certainly.

Mr. KENYON. I do not want to break into the Senator's line of thought, but he says that there should be no war profits, and he takes 80 per cent of war profits and there is then virtually 20 per cent left of the war profits.

Mr. LA FOLLETTE. In saying that there should be no war profits I am speaking my personal view. In presenting a bill which takes only 80 per cent, I am doing the best I can with the Senate.

Mr. KENYON. The Senator's substitute, then, does not take all the war profits?

Mr. LA FOLLETTE. No; it takes 80 per cent of the war profits, and takes it as a flat tax.

Mr. President, to effect the necessary changes I have had to make a few corrections in the print of the amendment in the form of a substitute which Senators have before them. If any Senator desires to mark the changes into his copy, I will submit them to the Senate and Senators will see just what changes I have made in the printed amendment which is upon their desks. The first of these changes occurs at the bottom of page 31. Instead of the language beginning with line 22, paragraph (a), I have recurred to the language in the House bill, which will be found on the copy of the pending bill beginning at line 23, page 47. I have restored the matter there stricken through down to and including line 8, on page 48.

I will read into the RECORD, Mr. President, the change made by the substitute bill. At page 31, after line 21, I have added the following:

In case of a domestic corporation, 18 per cent of the amount of the net income in excess of the credits provided in section 236: *Provided*, That the rate shall be 12 per cent upon so much of this amount as does not exceed the sum of (1) the amount of dividends paid during the taxable year plus (2) the amount paid during the taxable year out of earnings or profits in discharge of bonds; and other interest-bearing obligations outstanding prior to the beginning of the taxable year plus (3) the amount paid during the taxable year in the purchase of obligations of the United States issued after September 1, 1915.

In section 301, page 54 of the substitute bill, in lines 16 and 17, I have stricken out the matter which occurs in parentheses; in line 19, all after the words "equal to," and the balance of page 54 and page 55, down to and including the word "which," on line 9; also all after the parenthesis in line 11 down to and including line 19; on page 56, line 9, after the word "be," inserting the words "10 per cent"; on page 57 strike out lines 7, 8, 9, 10, and 11; on page 62, in line 21, strike out all after the word "capital" where it occurs in the center of the line; also lines 22 and 23 down to and including the words "trade or business," in line 24.

With these changes the language of the substitute bill as I introduced it on December 19, and as I offer it now, are identical, so that Senators may very easily follow these changes and will appreciate that, while I make a change in the corporation tax and in the war excess-profits tax, the body of the substitute bill remains as it was introduced.

The PRESIDING OFFICER [Mr. MCKELLAR in the chair]. The question is upon the adoption of the amendment offered as a substitute by the Senator from Wisconsin.

Mr. LA FOLLETTE. Upon that I ask for a record vote.

The yeas and nays were ordered, and the Secretary proceeded to call the roll.

Mr. JONES of Washington (when his name was called). I am paired with the senior Senator from Louisiana [Mr. RANSDELL] and therefore withhold my vote. If at liberty to vote, I should vote "yea."

Mr. KENDRICK (when his name was called). I transfer my pair with the Senator from New Mexico [Mr. FALL] to the Senator from Montana [Mr. WALSH] and vote "nay."

Mr. NEW (when his name was called). I have a pair with the junior Senator from Louisiana [Mr. GAY]. Transferring that pair to the senior Senator from New Jersey [Mr. FRELINGHUYSEN], I vote "nay."

Mr. SAULSBURY (when his name was called). My general pair with the senior Senator from Rhode Island [Mr. COLT] does not apply to this proposal. I therefore vote "nay."

Mr. TOWNSEND (when his name was called). I have a pair with the senior Senator from Arkansas [Mr. ROBINSON], who is absent. I therefore withhold my vote.

The roll call was concluded.

Mr. GERRY. I have a general pair with the junior Senator from New York [Mr. CALDER]. I transfer that pair to the senior Senator from Nevada [Mr. PITTMAN] and vote "nay."

Mr. MYERS. I transfer my pair with the Senator from Connecticut [Mr. MCLEAN] to the Senator from Texas [Mr. CULBERSON] and vote "nay."

Mr. STERLING. Announcing my pair with the Senator from South Carolina [Mr. SMITH], and not knowing how he would vote on this question, I withhold my vote.

Mr. BRANDEGEE. I am paired with the senior Senator from Tennessee [Mr. SHIELDS]. I transfer that pair to the junior Senator from New Jersey [Mr. BAIRD] and vote "nay."

Mr. SMOOT. I desire to announce the unavoidable absence on account of illness of the Senator from Kansas [Mr. CURTIS]. He is paired with the Senator from Georgia [Mr. HARDWICK].

Mr. LODGE. I have been requested to announce the following pairs:

The Senator from West Virginia [Mr. GOFF] with the Senator from Oklahoma [Mr. OWEN];

The Senator from Illinois [Mr. SHERMAN] with the Senator from Kansas [Mr. THOMPSON];

The Senator from New York [Mr. WADSWORTH] with the Senator from New Hampshire [Mr. HOLLIS]; and

The Senator from Michigan [Mr. SMITH] with the Senator from Missouri [Mr. REED].

The result was announced—yeas 6, nays 54, as follows:

YEAS—6.

Borah	La Follette	Nugent	Vardaman
Gronna	Norris		

NAYS—54.

Bankhead	Jones, N. Mex.	Nelson	Smoot
Beckham	Kellogg	New	Spencer
Brandegee	Kendrick	Penrose	Sutherland
Chamberlain	Kirby	Phelan	Swanson
Dillingham	Knox	Poindexter	Thomas
Fernald	Lenroot	Pollock	Trammell
Fletcher	Lewis	Pomerene	Underwood
France	Lodge	Saulsbury	Warren
Gerry	McCumber	Shafroth	Watson
Hale	McKellar	Sheppard	Weeks
Harding	Martin, Ky.	Simmons	Williams
Henderson	Martin, Va.	Smith, Ariz.	Wolcott
Hitchcock	Moses	Smith, Ga.	
Johnson, S. Dak.	Myers	Smith, Md.	

NOT VOTING—36.

Ashurst	Gay	McLean	Sherman
Baird	Goff	McNary	Shields
Calder	Gore	Overman	Smith, Mich.
Colt	Hardwick	Owen	Smith, S. C.
Culberson	Hollis	Page	Sterling
Cummins	Johnson, Cal.	Pittman	Thompson
Curtis	Jones, Wash.	Ransdell	Townsend
Fall	Kenyon	Reed	Wadsworth
Frelinghuysen	King	Robinson	Walsh

So Mr. LA FOLLETTE's amendment, in the nature of a substitute, was rejected.

Mr. THOMAS. Mr. President, this morning a motion which I made to strike out three lines on page 123 was accepted by the committee. My attention has been called to the identical language on page 128, beginning on line 7 and ending with line 9. I ask that that may also be stricken out.

The PRESIDING OFFICER. The Senator from Colorado offers an amendment, which will be stated.

The SECRETARY. On page 128, line 7, it is proposed to strike out: "and to the extent of the excess over $25,000 of the amount receivable by any beneficiary as insurance under policies taken out by the decedent upon his own life."

Mr. SIMMONS. I accept the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Colorado.

The amendment was agreed to.

Mr. KING. I send to the desk the following amendment. I have submitted it to the chairman of the committee and it has received some investigation. I think he will accept the amendment.

The SECRETARY. On page 278, after line 7, insert:

SEC. 1407. That it shall be the duty of every individual partnership, and corporation which, since the 6th day of April, 1917, has entered into any contract, undertaking, agreement, or transaction with the United States, or with any agency, officer, or commission of the United States, or with any other person, partnership, or corporation having contract relations with the United States, for the performance of any work or for the supplying of any materials or property for the use of or for the account of the United States to file with the Commissioner of Internal Revenue and with the Attorney General, within 60 days after the passage of this act, a true and correct copy of every such contract, undertaking, agreement, or transaction, together with a true, accurate, and complete statement of all work and labor performed and materials and property supplied, and an account of all moneys or other things of value received, expenses incurred, and profits made and realized from such contract, undertaking, agreement, or transaction.

SEC. 1408. That in cases where the work to be performed or the materials to be supplied shall not have been completed within 60 days after the passage of this act, a further and supplementary statement covering the same matters and to the same effect as hereinbefore prescribed shall be filed with the Commissioner of Internal Revenue and with the Attorney General within 60 days after the completion of such contract, undertaking, agreement, or transaction.

SEC. 1409. That during the pendency of the present state of war every individual, partnership, and corporation, which shall hereafter enter into any contract, undertaking, agreement, or transaction with the United States, or with any agency, officer, or commission of the United States, or with any other person, partnership, or corporation having contract relations with the United States, for the performance of any work and for the supplying of any materials or property for the use of or for the account of the United States, shall immediately file with the Commissioner of Internal Revenue and with the Attorney General a true, correct, and complete copy of every such contract, undertaking, agreement, or transaction, and shall within 60 days after the completion of such contract, undertaking, agreement, or transaction file with the Commissioner of Internal Revenue and with the Attorney General the statement of work, receipts, expenditures, and profits hereinbefore prescribed.

SEC. 1410. That if such contract, undertaking, agreement, or transaction requires the performance of work or the supplying of materials or property for a period extending beyond one year, then the statement hereinbefore prescribed shall be filed with the Commissioner of Internal Revenue and with the Attorney General on or before the 1st day of January in each and every year during the continuance of such contract, undertaking, agreement, or transaction, and upon the completion of such contract, undertaking, agreement, or transaction the statement

of work, receipts, expenditures, and profits, hereinbefore prescribed, shall likewise be filed with the Commissioner of Internal Revenue and the Attorney General.

SEC. 1411. That the statement hereinbefore prescribed to be filed with the Commissioner of Internal Revenue and the Attorney General shall in every case be duly verified by oath by the individual or on behalf of the partnership or corporation making the same, and in the case of a partnership said statement shall be verified by one of the members of such partnership, and in the case of a corporation by the president or the manager of such corporation.

SEC. 1412. That a failure to file the statement referred to in sections 1407 to 1411, inclusive, within the time herein provided shall constitute a misdemeanor, and every person so offending shall be punished by a fine not exceeding $5,000 or imprisonment not exceeding two years, or by both such fine and imprisonment.

SEC. 1413. That if any person or officer or agent of any corporation or partnership shall knowingly falsely set forth or state anything in said statement filed with said Commissioner of Internal Revenue and said Attorney General, he shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be fined in any sum not exceeding $5,000 or punished by imprisonment not exceeding five years, or by both such fine and imprisonment.

SEC. 1414. That all persons employed in the civil, military, and naval establishments of the United States whose services are personal and whose duties, offices, and functions are prescribed by law shall be excluded from the operation of the provision of sections 1407 to 1413, inclusive.

Mr. SIMMONS. I have examined that amendment very closely, and members of the committee have also done likewise, and I will accept it.

Mr. BRANDEGEE. Mr. President, I simply want to suggest in relation to the amendment for the consideration of the conference committee, there are thousands of people, no doubt, who have had relations with the Government of a contractual nature since the war broke out, who will not know anything about the passage of the bill. The amendment is in a revenue act. It makes a penal offense for all people who neglect for a period of 60 days after the passage of the bill filing copies of their contracts with the internal-revenue collector. I suggest that if adopted—and I am not opposing it at all—the conference committee should provide that the parties having the contracts should in some way be notified by the Government that this is required of them.

Mr. SIMMONS. Does the Senator understand that the conferees would have authority to make changes in this provision?

Mr. BRANDEGEE. I hope so. At any rate if they can not do it they can not; but I suggest if it is possible they should do so, because there are many people who are not used to dealing with the Government and have made contracts of a small nature who will never know about this measure, and they may be the victims of blackmail and serious oppression unless they are notified, and they should be notified.

Mr. SIMMONS. The purpose of the amendment is undoubtedly good.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from Utah.

The amendment was agreed to.

The PRESIDING OFFICER. The bill is still in Committee of the Whole, and open to amendment. If there be no further amendment as in Committee of the Whole, the bill will be reported to the Senate.

The bill was reported to the Senate as amended.

The PRESIDING OFFICER. The question is on concurring in the amendments made as in Committee of the Whole.

Mr. POMERENE. I reserved the other day the right to have a separate vote in the Senate on the amendment relating to the zone system, to wit, section 1101 of the bill. I ask that that matter may be submitted to the Senate.

The PRESIDING OFFICER. Without objection, all the other amendments to the bill that have been agreed to in Committee of the Whole will be concurred in. They are concurrred in. The question now is on concurring in the amendment reserved by the Senator from Ohio, which the Secretary will state.

The SECRETARY. On page 277, insert section 1101 in the following words:

SEC. 1101. That on and after July 1, 1919, the rates of postage on publications entered as second-class matter (including sample copies to the extent of 10 per cent of the weight of copies mailed to subscribers during the calendar year) when sent by the publisher thereof from the post office of publication or other post office, or when sent by a news agent to actual subscribers thereto, or to other news agents for the purpose of sale, shall be 1 cent per pound or fraction thereof for delivery within the first and second zones applicable to fourth-class matter, and 1½ cents per pound or fraction thereof for delivery within any other zone.

(c) This section shall take effect July 1, 1919.

Mr. POMERENE. This is the amendment repealing the present zone system as applied to second-class mail. I think Senators are fully familiar with what is involved, and I do not care to occupy the time of the Senate to say anything further upon it. I ask for the yeas and nays upon concurring in the amendment.

Mr. SMOOT. Mr. President, I feel that I ought to make a correction in the statement that I made on the floor of the Senate the other day when we had the zone system under consideration. It will take me only a minute. The Senate was led to believe, and I was also led to believe and made the statement, that Mr. Penton was publisher of the Iron Age, a magazine published in New York, and I took it for granted when the statement was made that Mr. Penton was the publisher of that magazine. A letter was read in the Senate the other day when we had this question up by the Senator from Ohio [Mr. POMERENE] stating that he, of course, very much preferred to have an increase in the second-class postage rates rather than have the first-class postage raised from 1 cent to 3 cents. The magazine was pointed to as a horrible example of the cost of second-class mail matter to the Government of the United States.

My attention has been called to the fact that Mr. Penton is not the publisher of the magazine, has nothing whatever to do with it, but does publish a little magazine in Cleveland, Ohio, whose circulation is in the iron industry around Cleveland, and it hardly goes out of the first zone. Of course, under the proposition he would prefer very greatly to have the rate provided in the present law apply to his magazine rather than to have it apply to first-class mail matter.

I have a copy of the magazine before me. I notice there are 43 pages of reading matter with certain insertions in that reading matter and 189 pages of advertisements, and this is not the Christmas edition.

Mr. POMERENE. May I ask the Senator the name of that magazine?

Mr. SMOOT. I will state that the magazine is the Iron Trade Review, published at Cleveland, Ohio. This is the issue of December 19, 1918. I felt that I should make that correction.

Mr. POMERENE. It is true that a mistake was made in saying that he was connected with the Iron Age, but the Senate still has not investigated the subject sufficiently to have the facts. The Trade Review, to which the Senator referred, is one of the publications. Mr. Penton has either four or five publications. The statement that it is limited in its circulation to a few iron people in and about Cleveland is wholly gratuitous on the part of the Senator from Utah. It is not the fact. It has a very wide circulation throughout the country.

Mr. SMOOT. I make the statement I do, in relation to where it is circulated, from men who have sent to me the information; and if the Senator wants to know who they are I can tell him exactly who they are.

Mr. POMERENE. It is not necessary to tell me who they are. I know Mr. Penton, and I know he is one of the reliable men of this country, and he is not a Democrat, but he is a Republican who believes in paying his way without getting his hand in the public till.

The PRESIDING OFFICER. The question is on concurring in what is known as the zone postal amendment.

Mr. POMERENE. I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. HITCHCOCK. I should like to have the Chair state what the amendment is.

The SECRETARY. On page 276, line 22, insert section 1402.

The PRESIDING OFFICER. The Secretary will call the roll on concurring in the amendment made as in Committee of the Whole.

The Secretary proceeded to call the roll.

Mr. GERRY (when his name was called). Making the same announcement as on the last vote I vote "nay."

Mr. JONES of Washington (when his name was called). As heretofore announced I am paired with the senior Senator from Louisiana [Mr. RANSDELL] and withhold my vote.

Mr. MYERS (when his name was called). I make the same transfer of my pair that I announced on the last vote and vote "nay."

Mr. NEW (when his name was called). Announcing the same pair and transfer as on the previous vote of to-day I vote "yea."

Mr. TOWNSEND (when his name was called). Making the same announcement of the transfer of my pair I vote "yea."

The roll call was concluded.

Mr. GERRY (after having voted in the negative). I voted under a misapprehension. I change my vote from "nay" to "yea."

I am informed that the Senator from New York [Mr. CALDER], with whom I am paired, would vote as I do, and therefore I do not need to make a transfer.

Mr. STERLING. I announce my pair as on the previous vote, and I transfer that pair to the Senator from Oregon [Mr. MCNARY] and vote. I vote "yea."

Mr. BRANDEGEE (after having voted in the affirmative). I omitted to state that I made the same transfer of my pair on this vote that I did on the previous one.

Mr. SIMMONS (after having voted in the affirmative). I wish to inquire whether the Senator from Minnesota [Mr. KELLOGG] has voted.

The PRESIDING OFFICER. He has not voted.

Mr. SIMMONS. I have a pair with that Senator, which I transfer to the Senator from Nevada [Mr. PITTMAN] and let my vote stand.

The result was announced—yeas 41, nays 22, as follows:

YEAS—41.

Bankhead	Henderson	Nelson	Sterling
Borah	Hitchcock	New	Swanson
Brandegee	Johnson, Cal.	Penrose	Underwood
Chamberlain	Jones, N. Mex.	Phelan	Warren
Dillingham	Kendrick	Poindexter	Watson
Fernald	Knox	Saulsbury	Weeks
Fletcher	Lewis	Simmons	Williams
France	Lodge	Smith, Ga.	Wolcott
Gerry	McCumber	Smith, Md.	
Hale	Martin, Va.	Smoot	
Harding	Moses	Spencer	

NAYS—22.

Beckham	La Follette	Nugent	Sutherland
Gronna	Lenroot	Pollock	Thomas
Johnson, S. Dak.	McKellar	Pomerene	Trammell
Kenyon	Martin, Ky.	Shafroth	Vardaman
King	Myers	Sheppard	
Kirby	Norris	Smith, Ariz.	

NOT VOTING—33.

Ashurst	Gay	Overman	Smith, Mich.
Baird	Goff	Owen	Smith, S. C.
Calder	Gore	Page	Thompson
Colt	Hardwick	Pittman	Townsend
Culberson	Hollis	Ransdell	Wadsworth
Cummins	Jones, Wash.	Reed	Walsh
Curtis	Kellogg	Robinson	
Fall	McLean	Sherman	
Frelinghuysen	McNary	Shields	

So the amendment was concurred in.

Mr. SIMMONS. I ask unanimous consent that the Secretary be authorized to adjust the numbers of sections and subsections.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. SPENCER. I offer the following amendment to the bill in the Senate.

The PRESIDING OFFICER. It will be stated.

The SECRETARY. On page 197, line 2, strike out the figure "10" and substitute in lieu thereof the figure "5."

Mr. SIMMONS. I desire to inquire whether the Senator from Missouri reserved that amendment.

Mr. SPENCER. I did not.

Mr. SIMMONS. Very well. I will make no objection.

The PRESIDING OFFICER. The question is on the amendment of the Senator from Missouri to the amendment of the committee.

Mr. SPENCER. Mr. President, nothing except a real sincere belief that there is an existing inequality could move me at this time to take a single moment. The Senate has agreed to the reduction of the tax upon jewelry from 10 per cent to 5 per cent. Every article of jewelry——

Mr. SIMMONS. Mr. President, at the request of a number of Senators on the committee I will accept the amendment.

Mr. THOMAS. I object. My objection is based upon the fact that representatives of the fur industry appeared before the committee and expressed themselves dissatisfied with the rate that the committee reported in the bill. If we are going to tax pantaloons and silk stockings, and so forth, 10 per cent as luxuries, we should also place a similar tax on furs as luxuries.

The PRESIDING OFFICER. Confusion has arisen by reason of the fact that all the Senate committee amendments made as in Committee of the Whole were concurred in, and in order to have this amendment adopted the Senator from Missouri will have to ask for a reconsideration of the vote. It grew out of inadvertence I know on his part.

Mr. SIMMONS. I ask that the amendment be reconsidered.

The PRESIDING OFFICER. Without objection it will be reconsidered. The question now is upon the amendment of the Senator from Missouri to the amendment of the committee.

Mr. GRONNA. I ask that the amendment may be read.

The PRESIDING OFFICER. The amendment will be read.

The SECRETARY. On page 197, line 2, strike out the figure "10" and substitute in lieu thereof the figure "5," so as to read:

(18) Articles made out of any fur, or articles of which fur is the component material of chief value, 10 per cent.

The amendment to the amendment proposes to strike out "10" and insert "5," so as to read 5 per cent.

Mr. GRONNA. Mr. President, I do not know that I particularly care to discuss this amendment, but I have occupied no time in the discussion of this measure, and I simply wish to say that I agree with what the Senator from California [Mr. JOHNSON] well said to-day, that the action of the Committee on Finance is an indorsement of the 17 Members who fought for an increased rate on excess profits last year. I did take some time last year to explain my position as to the rates on excess war profits. I then stated that no man who was known to be a financier even in a small way would carry on his business in the manner that we were proposing to conduct the business of the Government. I restate now that no man who is worth a million dollars would borrow and mortgage his plant for two-thirds of that sum, as we are now proposing to do only on a vastly greater scale in the case of the Government. He would realize that that would reduce the value of his securities the same as a similar procedure would depreciate the value of the bonds of the Government.

Mr. President, those of us who stated last year that we believed that the rates then imposed were insufficient were characterized as disloyal and pro-German. The chairman of the committee acknowledged here on the floor in making his excellent speech the other day that unless this bill were passed before the end of this year the Government would lose $2,000,000,000 in revenue. The rates imposed in this bill are not any more excessive than the rates proposed by the minority of 17 Senators last year; and if we are to lose $2,000,000,000 in the event this new bill is not enacted during this year, then we have reason to suppose that we would have collected more than $2,000,000,000 if the amendment proposed by the Senator from California and supported by the other 16 Members of the Senate had been agreed to a year ago. So the Senator from North Carolina, the chairman of the Committee on Finance, has also indorsed the position which we took a year ago, although at that time he made the statement—I think I recollect it distinctly—that if the increased rates proposed by us then were incorporated in the bill it would disturb business. After the chairman made that statement the bill was recommitted to the Committee on Finance and the rates nearly doubled.

I simply wanted to say this much to make plain the fact that the Members of the Senate to whom I have referred—17 in number, I believe—who then said that from an economic standpoint it was necessary to increase these rates, have been indorsed by the Committee on Finance.

Mr. KELLOGG. Mr. President, do I understand that the chairman of the committee has accepted the amendment as proposed by the Senator from Missouri [Mr. SPENCER] to the committee amendment?

Mr. SIMMONS. I did accept the amendment.

Mr. SMITH of Georgia. Other members of the committee do not accept it.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from Missouri to the amendment of the committee.

Mr. SPENCER. I ask for a division.

The question being put, on a division the amendment to the amendment was rejected.

The PRESIDING OFFICER. The question recurs on the amendment of the committee.

The amendment of the committee was agreed to.

The PRESIDING OFFICER. The bill is in the Senate and still open to amendment. If there be no further amendment, the question is, Shall the amendments be engrossed, and the bill be read a third time?

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read the third time.

The PRESIDING OFFICER. The question is, Shall the bill pass?

The bill was passed.

Mr. SIMMONS. I move that the Senate request a conference with the House on the bill and amendments, and that the Chair appoint the conferees upon the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. SIMMONS, Mr. WILLIAMS, Mr. SMITH of Georgia, Mr. PENROSE, and Mr. LODGE conferees on the part of the Senate.

Mr. SIMMONS. I move that the bill be reprinted, with the Senate amendments numbered.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. SMOOT. Mr. President, that motion would only carry about 1,682 copies, to be distributed all over the United States. I ask that an order be made for the printing of the bill as passed by the Senate, with the amendments numbered, the number of copies that can be printed under the law within the $500 limitation. I can not now figure as to the exact number, but, under the law, we are authorized to print $500 worth; and whatever number may be printed within that cost I move be printed.

The PRESIDING OFFICER. The question is on the motion of the Senator from Utah.

The order was reduced to writing and was agreed to, as follows:

Ordered, That there be printed for the use of the Senate as many copies of the revenue bill (H. R. 12863) as may be within the $500 limitation as is prescribed by law, as passed by the Senate, showing the amendments of the Senate numbered.

WOMAN SUFFRAGE.

Mr. JONES of Washington. Mr. President, I desire to submit a request for unanimous consent. During the last session, in October last, the Senate voted upon the woman-suffrage joint resolution. It failed by a very small vote, and on reconsideration, was placed on the calendar. There are several Senators who have entered the Senate since that time, so that there is now a full membership of the Senate, and it seems to me that the joint resolution could be disposed of without any particular discussion and without taking very much time. I ask unanimous consent that the Senate proceed to consider that joint resolution at 2 o'clock on January the 10th.

Mr. WILLIAMS. Mr. President, I feel compelled to object to that request, because we have very much more important business coming before us.

The PRESIDING OFFICER. Objection is made.

LEAGUE OF NATIONS FOR PEACE.

Mr. SIMMONS. I move that the Senate proceed to the consideration——

Mr. LEWIS. Mr. President, is the Senator from North Carolina about to move an adjournment?

Mr. SIMMONS. No; I was going to move an executive session.

Mr. LEWIS. Previous to that may I be permitted to make an announcement?

Mr. SIMMONS. I yield to the Senator.

Mr. LEWIS. I merely desire to give notice, then, that on the next legislative day of our assembly I shall address the Senate upon the peace terms proposed by the United States through the President, replying to the criticisms of the Senator from Pennsylvania [Mr. KNOX] and of the Senator from Massachusetts [Mr. LODGE].

EXECUTIVE SESSION.

Mr. SIMMONS. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to, and the Senate proceeded to the consideration of executive business. After five minutes spent in executive session the doors were reopened.

ADJOURNMENT TO THURSDAY.

Mr. SIMMONS. I move that the Senate adjourn until Thursday next at 12 o'clock noon.

The motion was agreed to; and (at 10 o'clock and 45 minutes p. m.) the Senate adjourned until Thursday, December 26, 1918, at 12 o'clock meridian.

CONFIRMATIONS.

Executive nominations confirmed by the Senate December 23 (legislative day of December 15), 1918.

REGISTER OF LAND OFFICE.

Henry P. Andrews to be register of the land office at Sacramento, Cal.

POSTMASTERS.

PENNSYLVANIA.

Joseph A. Hanley, Erie.
George B. M. Ward, Laceyville.
Margaret C. Brown, Langeloth.
John A. Waltman, Mayport.
John J. Roll, Natrona.
Percy W. Shepard, New Albany.
Isaac Scarborough, New Hope.
Edward Ace, Nicholson.

SOUTH CAROLINA.

Marie V. Keel, Allendale.
Fred Mishoe, Greelyville.
William T. Reynolds, jr., Mount Pleasant.
Inez H. Whitlock, Ridgeway.
Arthur R. Garner, Timmonsville.

SOUTH DAKOTA.

Perry H. Clute, Bigstone City.
Israel R. Krause, Java.
Arnold Poulsen, Lennox.

WISCONSIN.

Douglas S. Knight, Bayfield.
Palmer G. Slauson, Evansville.
Gustav B. Husting, Mayville.
Edward A. Severson, Neenah.

HOUSE OF REPRESENTATIVES.

MONDAY, *December 23, 1918.*

The House met at 12 o'clock noon.

The Chaplain, Rev. Henry N. Couden, D. D., offered the following prayer:

Father in heaven, let Thy blessing, like the manna from heaven, fall into the hearts of all Thy children and bring them in harmony with Thee.

May the memories of the past, childhood, youth, with all their hallowed associations, fill our hearts with the spirit of the season, that the Christ life may be our life; who taught us that it is more blessed to give than to receive; that we may help the needy; strengthen the weak by giving of our substance; cheer the lonely by our presence; comfort the sorrowing by kind words and loving smiles.

God grant that the Christ spirit may reign over the earth now and evermore, that the good that is in man may drive out the evil and bring into the world that peace for which all true men pray. In His name. Amen.

The Journal of the proceedings of Saturday, December 21, 1918, was read and approved.

MESSAGE FROM THE SENATE.

A message from the Senate, by Mr. Waldorf, its enrolling clerk, announced that the Senate had passed bill of the following title, in which the concurrence of the House of Representatives was requested:

S. 5102. An act to authorize the change of name of the steamer *Charlotte Graveraet Breitung* to *T. K. Maher*.

ENROLLED BILLS.

Mr. LAZARO, from the Committee on Enrolled Bills, reported that they had examined and found truly enrolled bills of the following titles, when the Speaker signed the same:

H. R. 12916. An act to provide for the temporary promotion of commissioned officers of the Marine Corps serving with the Army; and

H. R. 12945. An act providing for the purchase of uniforms, accouterments, and equipment by officers of the Navy, Marine Corps, and Coast Guard, and midshipmen at the Naval Academy from the Government at cost.

MINING CLAIMS IN ALASKA.

Mr. FOSTER. Mr. Speaker, I ask unanimous consent for the present consideration of the resolution which I send to the Clerk's desk.

The SPEAKER. The gentleman from Illinois asks for the present consideration of the resolution which the Clerk will report.

The Clerk read as follows:

Joint resolution (H. J. Res. 372) to amend Senate joint resolution 78, approved October 5, 1917, entitled "Joint resolution to suspend requirements of the annual assessment work on mining claims during the years 1917 and 1918."

Be it resolved, etc., That the provisions of Senate joint resolution approved October 5, 1917, be amended so as to provide that the time for filing notices to hold said mining claims in the Territory of Alaska under the said resolution be, and the same is hereby, extended to the 1st day of April, 1919.

The SPEAKER. Is there objection?

Mr. MANN. I reserve the right to object.

Mr. FOSTER. Mr. Speaker, I will state that the word comes to me through the Delegate from Alaska [Mr. SULZER] that at this time there is, and for some time back there has been, a very great prevalence of influenza; that the mails have been stopped and that all travel practically has ceased in the Territory, at least in some parts of it; and that these people who were to file their claims by the 1st of January, 1919, do not now have the opportunity to do so. This resolution provides that these people may file their claims up to the 1st of April, 1919. It simply extends the time for filing these notices by three months.

Mr. MANN. What are the claims?

Mr. FOSTER. They are in Alaska. They apply only to Alaska.

Mr. MANN. What kind of claims are they?

Mr. FOSTER. Mining claims. Senate joint resolution 78 provided that the assessment work might be omitted for the years 1917 and 1918, but they must file a notice with the recorder where the mining claim is located in order to get the benefits of this law. This will expire on the 1st day of January, 1919.

Mr. MANN. If, as the gentleman says, this condition has existed for some time, why have they waited until this date and then come in without a bill having been introduced?

Mr. FOSTER. Well, I will state this: I do not know how long it has existed, but, as I understand, it has been some little time since this disease has existed; but I suppose that in the